P. A. C. No. 151

PUBLIC ACCOUNTS COMMITTEE (1966-67)

SEVENTY-FIRST REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Defence Services), 1964-65 and Audit Report (Defence Services), 1966.]

LOK SABHA SECRETARIAT
NEW DELHI

January, 1967
Pausa, 1888 (S)

Price : Rs. 1.85

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Page	Para/Line	For	Read
2	1.6/item(i) of Table	under Col.5	insert '58'
5	1.23/6	este.	etc.
11	heading para 2.1/2	TCC	ACC
16	2.16/5 (v)	heading	handing
21	2.39/12	mansoon	monsoon
24	2.49/17	pansion	pension
28	2.68/2	though	thought
32	2.88/6	effect	affect
40	2.130/1	after the words 'quantity was' insert 'required to'	
47	2.155/2	is	in
52	2.179/5	warrant	warranty
60	3.29/5	cauld	could
63	3.47/4	arrests	arrears
64	3.53/4	expenditure	expenditure
68	4.15/6	jubs	jobs
73	4.34/5	Admiral	Admiralty
75	4.43/4	they	the
75	4.47/5	expenditur	expenditure
87	5.44/11	'a private firm... ascertain the'	'position from the indentor. The Committee are also not happy to find that'
115	5/7	1965	1963
135	Against S.No./line 8 2	pace. The	pace the
143	30 3	meterial	material
146	43 4	warrant	warranty
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Minutes of the sitting of PAC held on 27-10-66. (FN)

Minutes of the sitting of PAC held on 28-10-66. (FN)

Minutes of the sitting of PAC held on 28-10-66. (AN)

*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.

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(1966-67)

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SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

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*Resigned his seat in Lok Sabha with effect from the afternoon of 29-11-66.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this Seventy First Report on the Appropriation Accounts (Defence Services), 1964-65 and Audit Report (Defence Services), 1966.

2. The Appropriation Accounts (Defence Services), 1964-65 together with the Audit Report thereon was laid on the Table of the House on the 28th March, 1966. The Committee examined them at their sittings held on 24th to 28th October, 1966. Minutes of each sitting of the Committee form Part II* of the Report.

3. The Committee appointed a Sub-Committee to consider the case referred to in para 10 of the Audit Report (Defence Services), 1966. The Committee has already presented a separate report on that case.

4. The Committee considered and finalised this Report at their sitting held on the 27th January, 1966.

5. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix IX). For facility of reference, these have been printed in thick type in the body of the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in the examination of these Accounts by the Comptroller and Auditor General of India.

7. They would also like to express their thanks to the officers of the Ministries of Defence and Supply, Technical Development and Materials Planning for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
January 28, 1967.
Magha 8, 1888 (*S*).

R. R. MORARKA,
Chairman,
Public Accounts Committee.

*Not printed. (One cyclostyled copy laid on the Table and five copies placed in Parliamentary Library).

I

BUDGETING, CONTROL OVER EXPENDITURE AND GENERAL

Audit Report (Defence Services), 1966

Review of expenditure against Grants and Appropriations, paras 1—3, *pages* 1-2:

The totals of the voted grants and charged appropriations for the Defence Services during the three years ending 1964-65 and the actual expenditure there against are given below:—

	1962-63	1963-64	1965-66
		(In crores of rupees)	
(*i*) VOTED GRANTS			
1. Grants (including Supplementary Grants)	532·12	901·13	896·45
2. Actual expenditure	503·99	858·25	851·03
3. Savings	28·13	42·88	45·42
4. Percentage of 3 to 1	5·28	4·76	5·07
(*ii*) CHARGED APPROPRIATIONS			
1. Appropriations (including Supplementary Appropriations, if any)	*0·22*	*0·27*	*0·27*
2. Actual expenditure	*0·13*	*0·09*	*0·16*
3. Savings	*0·09*	*0·18*	*0·11*
4. Percentage of 3 to 1*	*39·12*	*65·29*	*42·33*

1.2. *Savings in/excesses over voted Grants*:—During the year there were savings in three Grants and excesses in two Grants as indicated below:—

Grant No.	Final Grant	Actual expenditure	Savings(—) Excess(+)
		(In crores of rupees)	
4. Army	582·89	562·93	(—)19·96
5. Navy	23·14	23·93	(+)0·79
6. Air Force	127·57	128·95	(+)1·38
7. Non-Effective	21·90	20·59	(—)1·31
113. Capital Outlay	140·95	114·63	(—)26·32

*Percentages have been worked out on actual figures before rounding.

1.3. The excess of Rs. 0.79 crores under Grant No. 5-Navy and Rs. 1.38 crores under Grant No. 6-Air Force require regularisation under Article 115 of the Constitution. The excess under these Grants was mainly due to larger expenditure on stores than anticipated.

1.4. The excess under Navy occurred after meeting an expenditure of Rs. 1·50 crores out of the advance taken from the Contingency Fund on 30 March, 1965.

1.5. Out of the saving of Rs. 47.59 crores under the three Grants, *viz.* Army, Non-Effective and Capital Outlay, a sum of Rs. 28·89 crores was surrendered on 31 March, 1965. The surrender under the Capital Grant alone was Rs. 25·09 crores representing nearly 18 per cent of the total grant.

1.6. *Control over expenditure.*—Provision made in the budget for the following items proved excessive or unnecessary:—

Nature of item	Budget Provision	Actual Expenditure	Unutilised provision	Percentage of (4) to (2)
(1)	(2)	(3)	(4)	(5)
		(In crores of rupees)		
Army				
(i) Hired transport	5·44	2·30	3·14	8
(ii) Purchase of material for Ordnance Factories	89·85	60·52	29·33	33
(iii) Ordnance Stores	40·00	31·12	8·88	22
(iv) Mechanical transport vehicles & connected stores	56·66	49·16	7·50	13
Air Force				
(v) Aviation Stores purchased from abroad	15·79	9·47	6·32	40
Capital Outlay				
(vi) Army Works	57·98	42·18	15·80	27
(vii) Farms	0·50	0·16	0·34	68
(viii) Acquisition of land for Naval works	0·27	..	0·27	100
(ix) Purchase of Naval Vessels	1·30	0·53	0·77	59
(x) Naval Dockyard Expansion Scheme	1·26	0·49	0·77	61

1.7. The Committee asked if the Ministry of Finance proposed to take any steps to ensure that the *ad hoc* cut imposed by them had in fact the desired effect of narrowing the gap between the estimates and the expenditure.

1.8. The Financial Adviser informed the Committee that a cut of Rs. 20 crores was imposed in 1964-65 but that did not reduce the gap in full. In regard to 1965-66 the witness stated that as tight budgeting was resorted to in that year, in a budget of Rs. 949 crores, revenue and capital; there was an overall saving of Rs. 89 lakhs only less than one per cent.

1.9. The Committee enquired about the action taken on their recommendation contained in para 1.6 of the 48th Report (Third Lok Sabha) regarding the streamlining of the procedure for speedy adjustment of customs duty to avoid the possibility of an excess expenditure on that account. The Defence Secretary replied that various measures had been worked out in this connection, but it was still to be seen as to how far it had been possible to achieve the desired objective.

1.10. Referring to the excess of Rs. 1.38 crores under the Air-force, which had been mainly attributed to larger expenditure than anticipated on various items, the Committee asked why no supplementary provision or an advance from the Contingency Fund was obtained in time. The Defence Secretary stated that all those payments were to be adjusted in U.K. and added if an advance from the Contingency Fund had been obtained, it would have to be surrendered in case no payment was made. Due to the uncertain position, the witness stated, the advance from the Fund was not obtained. The witness further stated that the money from this grant had been appropriated as it was thought that the money would not be spent. The witness said that when the High Commissioner was asked as to how the particular changes occurred, he replied that was due to certain mistakes in calculation.

1.11. Asked if there was no machinery by which correct figures could be had, the witness replied that a number of letters and telegrams were sent. Since there was no response, on the basis of the past experience when there were considerable savings in the airforce grant, a risk was taken but that proved wrong.

1.12. The Ministry of Defence have submitted notes explaining the reasons for the excess expenditure under Grants Nos. 5-Navy and 6-Air Force. The notes are at Appendix I.

1.13. From the two notes submitted by the Ministry relating to excess of expenditure in grants No. 5-Navy and No. 6-Air Force, the Committee observe that the excess were mostly due to larger materialisation of sup-

plies of the stores, during the period and non-anticipation of expenditure for certain items.

1.14. The Committee feel that the question of having an effective control over expenditure still needs to be pursued with a greater vigour. They hope that the measures initiated in the matter, as was stated by the Defence Secretary during evidence, would improve the budgetary control in the coming period, and shall eliminate excesses over the amounts authorised by Parliament.

1.15. Subject to the above observation the Committee recommend that excess over Grants Nos. 5-Navy and 6-Air Force may be regularised.

1.16. The Committee, pointing out the savings under different heads as mentioned in Audit Para, enquired about the steps taken to obviate their recurrence.

1.17. The savings, under Capital Outlay the Defence Secretary stated, were due to various changes in the specifications of the buildings. On the request of the Ministry of Finance, the specifications were changed from near-permanent to semi-permanent to intermediate scales and again to civil scales. The witness added that stability had now been arrived at and the difficulties, it was hoped, would not recur and the money on accommodation would be spent. Out of Rs. 26.32 crores the witness stated, Rs. 22 crores were surrendered in time.

1.18. The saving of Rs. 1 crore nearly, out of Rs. 3.14 crores, mentioned against item 1, para 3 of Audit Report, on hired transport, the Defence Secretary stated, was on account of non-payment of bills due to incomplete documentation. The bills were returned by the internal Audit as they did not contain all the details. The witness added that the authorities concerned would be impressed upon to send the bills complete in all respects. A saving of Rs. 28 lakhs was primarily due to the rate of hire charges not being decided in Punjab and Himachal Pradesh. There was a dispute with regard to the hire charges and a decision on that had to be taken. The witness stated that sometimes the transport was utilised without first deciding the charges, as they were generally calculated on the basis of rules, for which there was a regular procedure. The decision on these matters, the witness added, was taken by the State Government or the Collector.

1.19. With regard to the saving of Rs. 29.33 crores, indicated against item (ii) para 3—Purchase of material for Ordnance Factories the witness stated that it was broadly the result of the system followed in forecasting the budget figures which were really based on the previous year's experience. In the previous year there was a sudden increase in the demand for

raw materials and when the budget estimates for he subsequent year were drawn up the necessary correction was not applied. The Defence Secretary admitted that it was due to wrong budgeting and he added that remedial steps were being taken.

1.20. The saving of Rs. 15.80 crores on the Army works, [item No. (vi) of para 3] the witness stated, was mostly for the reason that the project for the married officers' accommodation was not sanctioned in time. This item alone resulted in a saving of Rs. 11 crores. The witness was of the view that such a programme should be taken up with a greater vigour, but he regretted that the Finance Ministry could not be convinced of the urgency involved in the matter. He added that when a cut of Rs. 20 crores was imposed there was a suggestion that the provision under the married officers' accommodation might be reduced. But that view was not accepted by the Ministry of Defence. The witness added, however, that object was achieved by not sanctioning the project on the ground that specifications had changed. He concluded that the things had now been settled with the Ministry of Finance and it was hoped that in future more money would be spent on the accommodation for married officers.

1.21. As regards item (iv)—Mechanical Transport vehicles and stores, the Additional Secretary, Ministry of Defence stated that the utilisation of the allotment depended upon the materialisation of orders placed through DGS & D. If the orders did not mature in time no payments were required to be made. Another reason for less expenditure under the head was that there were reductions in the unit entitlements of motor cycles and other vehicles.

1.22. The Defence Secretary informed the Committee that the saving against item (v)—Aviation stores purchased from abroad, was due to certain miscalculations on the part of the High Commission in U.K. with regard to the carryover of orders from the past. Asked if there was any indication of any improvement in the situation, the witness replied that the Ministry of Defence had no direct control over the High Commission. He, however, assured that the things should and would be improved.

1.23. The Committee note that the savings were due to the changes in specifications of the buildings, non-finalisation of payments for the transport hired by the Army authorities, provision for purchase of material for Ordnance Factories without any proper estimates, delay in sanctioning of construction of accommodation; non-materialisation of store supplies; miscalculation of expenditure estc.

1.24. The Committee regret that in spite of their repeated insistence on proper budgeting the above savings occurred and a substantial amount had not been utilized for the purpose it was provided for in the Defence budget.

The Committee hope that efforts would be made to remove those defects so that budget estimates and actuals give a more realistic picture.

Non-verification of credit for stores in the consignees' ledgers, para 4, page 2:

1.25. The number of vouchers in respect of which credits for stores despatched to various consignee units could not be verified in their ledgers, as reported in the Appropriation Accounts for the last three years, is indicated below:—

	1962-63	1963-64	1964-65
	(as on 30-9-63)	(as on 30-9-64)	(as on 30-9-65)
Army	2,110	2,689	2,866
Navy	1,056	701	664
Air Force	4,911	6,278	6,596
Factories	5,873	6,624	3,777
	13,950	16,292	13,903

1.26. Out of 13,903 vouchers outstanding as on 30 September, 1965, the number of vouchers where the monetary value of stores is Rs. 500 or more, is 3,035 (Army 590, Navy 35, Air Force 707 and Factories 1,703). Some cases covering 109 vouchers of a total value of Rs. 42·19 lakhs where credits could not be traced are detailed below:—

Nature of Stores	Number of vouchers	Amount (in lakhs of rupees)
Ration articles (including tinned foodstuff)	72	13·60
Vehicles	8	21·55
Clothing items	25	3·44
Petrol, Oil and Lubricants	3	3·43
Stationery	1	0·17
	109	42·19

1.27. The Committee referred to the Government's sanction in response to the recommendation contained in para 1.23 of their 48th Report (1965-66), for the appointment of two teams in July, 1966, for linking

the outstanding vouchers relating to Air-force for the period upto 30th September, 1964 and asked about the progress made and the targets, if any, prescribed. The Defence Secretary replied that no targets had been laid because they would vary with regard to the complexity of the item. The 13,903 outstanding vouchers on 30th September, 1965 had come down to 6,176 on 30th June, 1966. Out of 6,176 vouchers, 4,160 related to the Air-force. The number of vouchers with a value of over Rs. 500 (specifically referred to in the Audit Para) was stated to have come down from 109 to 92. In terms of money the witness stated, the amount to be reconciled had come down from Rs. 42 lakhs to Rs. 10 lakhs.

1.28. So far as 3,035 vouchers, mentioned in the Audit Report were concerned, the witness stated that they had now been reduced to 1,339 and efforts were continuing to reduce them further. The witness stated that the main difficulty was with regard to the Air Force, which dealt with nearly 5 lakh vouchers every year. The vouchers related to numerous spare parts for which various indents were sent. Whenever a unit moved from one place to the other, there was a considerable amount of difficulty in reconciling. He added that the Committees appointed in the matter had borne fruit as substantial reduction had been achieved.

1.29. In reply to a question, the witness stated that the largest number of vouchers were outstanding with the Air Force and gave the following figures as they stood then with them:—

Year	No. of outstanding vouchers
Prior to 1957-58	291
1958-59	55
1959-60	49
1960-61	170
1961-62	337
1962-63	660
1963-64	1072
1964-65	1126

1.30. Asked if the teams constituted had been directed to clear the old vouchers first, the witness stated that was what the Ministry desired, but actually they were proceeding station by station. He added that on the receipt of analysis it would be decided one way or the other about the vouchers pending for the last six years.

1.31. The Committee hope that vigorous efforts would be continued to speed up the clearance of the outstanding vouchers. They also desire that early decision should be taken to deal one way or the other with items which are more than six years old. Special attention is required to deal with the outstanding vouchers of Air Force, where the number of outstandings is very large.

Appropriation Accounts (Defence Services), 1964-65

Pages 8-9, *para* 17—*certificate of Controller General of Defence Accounts. Sub-paras* 11 *and* 12

1.32. Outstanding dues on account of rent upto 31st March. 1965 from Central Ministries, State Governments, Private bodies. Messes and Clubs and Officers etc., as on 30th September, 1965 amounted to Rs. 2·50 crores (approximately). Outstanding dues on account of Defence Department lands given for cultivation by Military Estate Officers and/or other State Governments upto 31st March, 1965, but outstanding on 30th September, 1965 amounted to Rs. 8·83 lakhs (approximately). Outstanding dues on account of Defence Department lands under the management of Ordnance Factories, rented or leased out to outside parties upto 31st March. 1965 but outstanding on 30th September, 1965 amounted to Rs. 0·59 lakh (approximately).

1.33. The number of cases where the amount of outstandings on account of rent and allied charges exceeds Rs. 5,000 in each individual case, pending for more than one year is 143 amounting to Rs. 1·93 crores.

1.34. The Committee were informed that the question of clearing outstanding dues was constantly reviewed by a senior officer in the Ministry and periodical meetings were held with the representatives of the Ministries concerned, in place of protracted correspondence at lower levels, which went on under the old system.

1.35. Asked if there was any improvement, the Additional Secretary to the Ministry replied that there was some improvement in regard to the recovery and added that the old dues which were not possible to be recovered had been written off.

1.36. The Committee asked instead of writing off the dues why a special officer was not being appointed, as recommended by them in their 33rd Report, for the clearing of dues. The Defence Secretary replied that the appointment of a special officer would not improve the situation. The nature of cases was such that a special officer was not likely to contribute anything to the solution of the problem. Stating the nature of cases, the witness disclosed that the State Governments did not make the payment; cantonment boards had no funds to pay. There were dues from some people too, but they had disappeared long ago and their whereabouts were

not known. Breakup of the dues given by the Defence Secretary was as under:

(Rs. in lakhs)

1. Ministry of Rehabilitation & Rehabilitation Deptts.	37
2. State Govt. Departments	26
3. Other Centrral Govt. Departments	37
4. Private parties including MES contractors	22
5. Cantonment Board, etc.	6·26

The witness stated that in cases, where the Ministry had a control *e.g.* Cantonment Boards and messes etc., remedial action had been taken, payments due to the parties, had been held back. So far as Ministries or Government departments were concerned, their cases had to be settled and those cases were not pending for a year or two but for the last many years. In reply to a question, it was stated that the earliest period to which dues related was 1946-47. Answering a further question, the witness stated that it might be possible to recover some dues and some might not be collected. Asked if any date could be indicated by which the recoveries would be made, the Defence Secretary replied in the negative and added that the procedure had now been tightened.

1.37. Asked why a machinery could not be evolved which should constantly review the matter and take proper action, the witness replied that persons from whom money was to be collected were spread all over the country through various organisations, therefore, one man sitting at the Headquarters would not be able to do anything.

1.38. The witness, in reply to a question, stated that the dues were not amounting, they were rather coming down year by year. He hoped to bring them down further.

1.39. Asked what was the procedure for writing off the amounts, the witness stated that the procedure was very elaborate and added that the same was also one of the reasons for the accumulation of dues. He stated further that first of all it was enquired why the money could not be recovered. If the debtor was an individual who had sufficient resources, then the question of writing off did not arise. The Committee desired to be furnished with a note indicating:—

(i) the actual amount of the arrears collected during the period 1960-61 to 1965-66; and

(ii) how much amount was written off during this period.

The information is still awaited from the Ministry.

1.40. The Committee regret to note that an amount of Rs. 2.50 crores on account of rent upto 31st March, 1965, remained outstanding till 30th September, 1965. In addition, another amount of Rs. 9.42 lakhs was outstanding on account of Defence deptt. lands. It is all the more surprising to note that some of the dues related even to 1946-47. The Committee are not satisfied with the efforts so far made to effect these recoveries. Even though there may be some difficulty in handling of all these recoveries throughout the country by a special officer, the Committee feel that the Ministry of Defence should immediately evolve some procedure so that these outstanding dues are recovered as early as possible. In case where recoveries are not possible, the irrecoverable amounts should be written off with the sanction of the competent authorities. The Committee would also like to watch the progress of the efforts made in realising these outstanding dues through future Audit Reports.

Sub-para 13

1.41. The number of cases of losses, awaiting regularisation for more than one year was 108 amounting to Rs. 89 lakhs. The Committee enquired the latest position.

1.42. The Defence Secretary, in reply to a question, informed the Committee that the number of cases of losses, which were awaiting regularisation for more than one year, had come down from 108 to 84 on 30th June, 1966. Similarly the amount involved in them had been reduced from Rs. 88·6 lakhs to Rs. 76·56 lakhs. The actual nature of cases was given to be as follows:—

Sl. No.	Nature of Losses	No. of cases
1.	Stores	25
2.	Cash	4
3.	Irrecoverable amounts from or over-payments to contractors but not due to breach of contract	5
4.	Infructuous expenditure	2
5.	Barrack damages	2
6.	Stock taking	16
7.	Damages to property	10
8.	Revenue	6
9.	Deterioration in Stock	13
10.	Production	1

1.43. The Committee hope that special efforts would be made to bring down at a rapid pace the number of cases of losses which need regularisation.

II

ARMY

(i) Adjutant General's Branch

Infructuous expenditure incurred on account of irregular re-employment of personnel on the instructional staff of NCC/TCC, Para 45, *page* 24.

In 1958, Government issued orders prescribing the terms and conditions of service for re-employment of combatant personnel exclusively on the instructional staff of NCC/ACC. Notwithstanding the issue of these orders, a directive was issued in April, 1963, by Army Headquarters, for recruitment of such personnel under general Government orders issued in 1962, prescribing the terms and conditions of service for re-employment of ex-service personnel in the regular Indian Army during the period of the present emergency.

2.2. As the terms and conditions in the latter orders were financially more advantageous to the re-employed personnel, the recruitment of instructional staff for NCC/ACC under these orders has resulted in an extra expenditure of more than Rs. 9 lakhs.

2.3. Further recruitment of instructional staff, for NCC/ACC under the general Government orders of 1962, has been stopped since May, 1964, under the directive issued by Army Headquarters.

2.4. The Defence Secretary informed the Committee during evidence that this case arose in very special circumstances in 1958. At that time as J.C.Os and N.C.Os were required in a limited number for the N.C.C., an order was issued prescribing certain terms under which retired J.C.Os and N.C.Os for N.C.C. could be recruited. In 1962, J.C.Os and N.C.Os were also called for active service. The terms offered for re-employment in the army being more generous there was a competition between recruitment for NCC and the army. In 1963, the Army Headquarters were authorised to recruit persons to meet N.C.C. requirements. Due to the misinterpretation of its legal authority the Army Headquarters, the witness stated, recruited the instructional staff on terms applicable to re-employment of such staff in the regular Army.

2.5. Stating the method of recruitment of J.C.Os and N.C.Os for N.C.C., the Defence Secretary stated that the N.C.C. requirement was met either by getting them from the regular army, by re-employing the retired

officers. Sometimes the suitable N.C.C. boys, after they had completed their training, were employed as NCC staff.

2.6. The witness further disclosed that persons employed during emergency under special terms, had since been discharged and others had been recruited under different terms.

2.7. The Committee regret to note that due to mis-interpretation of its legal authority Army Headquarters recruited instructional staff for the NCC on the terms applicable to the re-employment of such staff in the regular army. This mis-interpretation cost the exchequer more than Rs. 9 lakhs. The Committee feel that if the army authorities wanted to give some benefits as available to the re-employment of such staff in the regular army, the proper course for them should have been to obtain the sanction of Govt. for the revision of the terms and conditions prescribed in the 1958 order issued for the recruitment of such staff for NCC/ACC. The Committee hope that the authorities concerned would be more careful in future and avoid recurrence of such cases.

(ii) Engineer-in-Chief's Branch

Local purchase of decontrolled categories of steel—para 26, *page* 15:

2.8. A Commander Works Engineer of a Military Engineer Services Project purchased in March, 1965, 110 tonnes of different items of decontrolled sections of steel from local dealers, at a total cost of Rs. 1.71 lakhs by placing 39 supply orders covering 44 items. Out of these, in respect of 30 supply orders covering 31 items, the individual value of the items ordered ranged from Rs. 4,500 to Rs. 4,960 the maximum amount up to which the CWE is authorised to effect such purchases locally being Rs. 5,000. The rates paid were excessive when compared to the rates fixed by the Joint Plant Committee of steel producers for these decontrolled sections and those at which similar purchases were made by the Regional officer of Directorate General of Supplies and Disposals during the same period. On the basis of the rates fixed by the Joint Plant Committee plus an additional element of 10 per cent to cover miscellaneous charges, the extra expenditure incurred in effecting these purchases was Rs. 82,000 approximately.

2.9. The Ministry stated in February, 1966 that a Court of Enquiry had been ordered to examine this case.

2.10. Explaining the action taken by the Government on the findings of the Court of Enquiry in this case which had opined "viewed in the overall context, the rates paid cannot be regarded as totally unreasonable and

altogether be unjustifiable," the Additional Secretary Ministry of Defence informed the Committee that the final decision had not been taken and in the course of next few days, the Government would come to a final decision. The witness urged that the officer had acted in a bonafide manner for the purpose of carrying out the works. The completion of the works was delayed because of the understanding that the works would be executed by the Maharashtra Electricity Board. In December, 1964, the officer was informed that the Maharashtra Electricity Board was not prepared to do the work. In the meantime, the main buildings were nearing completion. If the officer had not taken action to provide electricity, the buildings would have remained unoccupied. It was for this purpose that the officer had exercised his local purchase power and has split the purchases to bring them within his powers. The officer had split up the supply orders in the interest of the work. If the Officer had brought this matter to the notice of the Government the Government would have certainly concurred in the action taken by him. In the opinion of the Government that was a lapse and the Government was looking into the recommendation of the Chief Engineer, who had ordered that the CWE and ACWE should be given a "non-recordable" warning. The witness further added that the officer had taken adequate precaution to ensure that there was proper competition in the quotations he had obtained. More than five parties had quoted in the case of various supply orders and in every case the lowest tender was accepted.

2.11. In regard to the price of steel, the witness stated that these prices were ex-site of work and that if the procurement had been done through the DGS&D the difference in price would not have been so heavy as had been reported in the Audit para. The rate of special steel items fixed by the JPC was Rs. 1,110 per metric ton as against Rs. 1,650 paid by the Defence Ministry. The JPC rates did not include the element of overheads and market fluctuations etc. At this rate the difference would be Rs. 0.60 lakh as against Rs. 0.82 lakh reported in the Audit para. The representative of the Ministry of Defence stated that the price of steel of the JPC was on the basis of complete wagon loads. If the supplies were less than the wagon load, then certain incidentals such as packing and forwarding charges, railway freight, sales tax, etc. had to be added. Hence there was this slight difference. The witness admitted that the price paid was on the high side. But under the circumstances, it was felt that it was not unreasonable. In reply to a question, the witness admitted that the officer should have obtained the permission of the higher authorities because he had exceeded his powers and also paid higher price for the steel. He also admitted that after February, 1966, they had not sent any further information to Audit about these matters.

2.12. In reply to a question, the Additional Secretary, Ministry of Defence stated that quotations were invited and four parties quoted. On

being asked about the criterion followed in selecting the parties, the Defence Secretary stated that the parties were selected by ascertaining through local dealers. If it was advertised in Newspapers, then the normal formalities had to be followed which would result in the delay in executing the project. He added that there were only two alternatives—either to accept the delay in the execution of the work by going through the normal formalities or to pay a higher price and execute the work expeditiously. The witness stated that the correct procedure was to follow the rules and go in for tender. In reply to another question the witness stated that the supplies materialised within a week after placing the orders.

2.13. **The Committee regret to note that in his anxiety to complete the work, the Commander Works Engineer exceeded his powers of local purchase by splitting the supply orders to bring the items within his purchase powers. Higher prices were also paid for the different items of decontrolled sections of steel. The Committee feel that the Commander Works Engineer could have ascertained the rate of steel from the JPC and the Regional Officer of the DGS&D in order to verify whether the rates quoted by the local dealers were justified. The unfortunate aspect of the case is that the officer did not care to obtain prior sanction of the Government before the orders for the supply of steel were placed.**

Works Expenditure

Irregularities in the conclusion and operation of a contract—para 27, *pages* 16-17:

2.14. In January, 1961 Government sanctioned a modernisation scheme in an Ordnance factory at the maximum estimated cost of Rs. 3.46 crores, increased to Rs. 3.76 crores in September, 1962. The administrative approval for the civil works required for this project was accorded in April, 1962 at an estimated cost of Rs. 70·45 lakhs—increased to Rs. 86·23 lakhs in September, 1962—stipulating the period of completion as three years. On the basis of limited tender enquiries, a contract for construction of civil works at a cost of Rs. 57·76 lakhs was concluded on 18th January, 1963 with a firm whose quotation worked out to be the lowest on the basis of the estimated quantum of work shown in the tender. The work was divided into five groups for facility of execution and under the terms of the contract the entire work was to be completed in fifteen months from the date of handing over the site for Group I.

2.15. The following features have been noticed in connection with the conclusion and execution of this contract:

(i) Before inviting tenders, the designs of the work were not finalised by the department but certain approximate quantities

of the work involved were indicated and the tenderers were asked to give their quotations on the basis of their own designs. No attempt was made to find out before the actual conclusion of the contract whether the approximate quantities of work indicated in the tender form needed any revision on the basis of the designs to be adopted by the different tenderers to find out which tender was really the lowest on the basis of the rates and the quantum of steel involved. The lowest quotation was decided upon on the basis of the approximate quantities work indicated in the tender.

(ii) The steel work indicated in the contract was for a quantity of 1,100 tons but in the actual execution of the work the quantity involved was 2,200 tons indicating either a gross under-estimate on the part of the department or adoption of an uneconomical design on the part of the contractor who designed these structures.

(iii) The piling work provided in the contract was for 36,300 cft. (363 piles). The rate for each pile as per contract was Rs. 2,102. The contractor, however, entrusted the work to a sub-contractor whose rates were Rs. 985 per pile for the first 300 numbers and Rs. 910 for each additional pile. The department knew about the lower rates of this sub-contractor, but no attempt was made to enter into a separate contract with this sub-contractor for this portion of the work. On the basis of the sub-contractor's rate plus 10 per cent. to cover overheads, etc. the extra expenditure involved on 544 piles—the maximum possible as per contract was Rs. 5·73 lakhs.

2.16. During the operation of the contract, the piling work was increased to 91,047 cft. or 910 piles. However, before ordering the increased quantity of work no action was taken to negotiate a reduced rate at least for the additional 366 piles ordered, over and above the maximum number of 544 covered by the contract. On the basis of the rates charged by the sub-contractor plus 10 per cent to cover overheads and profit of the main contractor, the extra expenditure involved in respect of these 366 piles worked out to Rs. 4·03 lakhs approximately.

(iv) The contract provided for welded structures of steel but in the execution of the work the contractor adopted rivetted structures without any adjustment in rates. The Chief Technical Examiner had observed that a rivetted structure consumes 10 to 15 per cent extra steel. On the basis of an average 12½ per cent increase the extra expenditure on steel owing to this changeover had been estimated to be Rs. 3·91 lakhs. It was also understood that the rate for fab-

rication of welded connections were nearly 50 per cent more than that for rivetted connections. The benefit that had accrued to the contractor on this account had not been assessed.

(v) The work which was due to be completed by July, 1964 had not been fully completed till October, 1965. The contractor had attributed this delay to (a) enormous increase in the quantum of work after conclusion of the contract and (b) delay in heading over sites. As a consequence the progress of erection of plant and machinery for this project had been delayed.

2.17. Most of these points had been adversely commented upon by the Chief Technical Examiner in his report for the half year ending 30th June, 1965.

2.18. The Ministry intimated in February, 1966 that a Board of Officers had been ordered by the Chief Engineer to look into the matter and that on receipt of their findings the Ministry would be in a position to offer their remarks.

2.19. Explaining the position, the Additinal Secretary, Ministry of Defence at the outset stated that this case was a very bad case. The selected contractor was neither on the registered list of Chief Engineer, nor was he competent to execute the work. The fact as to the seriousness of the execution of the contract was brought to the notice of the Defence Minister by the Secretary, Department of Defence Production and the Defence Minister had asked him to look into this case. The witness stated that he had gone to Calcutta and had recorded a note in May, 1965. He added that he was quite convinced that even a very competent contractor could not have completed the work within one year. On being asked as to how this unregistered and inexperienced firm was selected for the work, the representative of the Ministry of Defence stated that the selection of contractors was not necessarily confined only to those registered with the MES. The usual procedure was to publish in the press or to put up notices for a particular work. Firms who had done similar work or had experience applied for tender forms. Capabilities of the firms who had applied for tender forms were scrutinised. Tender forms were issued to the selected applicants. The witness added that from the documents it was seen that this particular firm appeared to have been selected by the concerned Chief Engineer. This was one of the aspects about which they were unhappy. The Committee drew the attention of the witness to the following certificate given in the document by the CWE Calcutta while recommending to the Chief Engineer that tender documents be issued to this firm:

"They are capable of designing steel structures and executing large works,"

and enquired the basis on which the certificate was given. The witness stated that it had not been possible to establish the basis on which the certificate was given. Board of officers had been constituted to go into certain matters. Certain lapses unrealistic assessment of requirements of steel, accepting rivetted structures without pointing out to contractor that he would not be entitled to extra cost involved, improper selection of contractor, not taking effective steps to ensure that the contractor executed the work to the required standard etc. had been brought out by them. These lapses were being examined to see as to what action could be taken and also to fix responsibilities where necessary.

2.20. On being asked about the final cost of the civil works, which was Rs. 57·76 lakhs originally the witness stated that there were certain recoveries which had been ordered to be made, but the final bill might be of the order of Rs. 88 lakhs for the civil works. The main reason for the increase in the cost was due to the change in the scope of the work. There were foreign collaborators in most of these specialist projects to advise. They did not give all the information at the beginning. Later on owing to some special requirements, the estimates had to undergo a change. In this particular project, the main commitment was in respect of buildings which were of structural steel on pile foundation with brick cloaking. Initially, the tenders were entirely on the basis of approximate estimates. On being asked as to how the tenders could be decided on approximate quantities, without either the design or the required material, the witness stated "This is the weakness in the process that we have followed." He added that a design should have been evolved on the basis of which an estimate could have been prepared, but this was not done in this particular case. If the design was fixed, the variations would not have been to that extent.

2.21. As regards the time limit for the completion of the works, the witness stated that the time limit was 15 months from the date of handing over the site. The Additional Secretary stated that the various sites were handed over on different dates. The representative of the Ministry of Defence added that the first site was handed over on 24th April, 1963. The work was completed in May, 1965. The Defence Secretary stated in reply to another question that the contract was signed on 18th January, 1963. On being asked about the penalty clause for the delay in the construction, the representative of the Ministry of Defence stated that in all contracts, there was a penalty clause. In this case, the penalty clause was partly invoked and partly extensions were given. On being asked about the damages recovered for the delay, the witness stated that no amount had so far been recovered. A claim for an amount of Rs. 5·19 lakhs had been made through the arbitration for the delay over a period of 12 months.

2.22. On being asked about the basis for giving extensions for the completion of the works, the witness stated that the reasons were partly due to the delay in handing over the site and partly due to the non-availability of certain sections of steel. The Additional Secretary added that the particular factory was engaged in the production of important items working in double shifts. The site could not be handed over earlier because the DGOF had to see that the factory also carried on its normal work.

2.23. When the Committee pointed out that the contractor was paid Rs. 2,102 per pile and the same contractor entrusted the work to a sub-contractor whose rates were Rs. 985 and Rs. 910 per pile, the representative of the Defence Ministry stated "that is the information that we have now." On being asked whether it meant that proper enquiry was not made at the time of fixing the rate of Rs. 2,102 per pile, the witness stated that at the beginning there were two options—either to entrust the specialised works to specialist firms or to give a lump-sum for the whole contract. Considering the site condition, the Chief Engineer had decided to go in for lump sum contract, as otherwise the question of piling, erection of steel and the cloaking would have presented difficulties. Lesser number of piles were included in the lump sum contract. The representative added that in their Department they did not like the item rate but in this case "we were pushed into it because we had a much shorter period of time for planning and construction."

2.24. In regard to the fixation of price, the witness stated that the price-fixation was done on an over all basis. On being pointed out that the other tenderers were prepared to do the work for much less, the witness stated that there were certain special conditions namely that the rates for piling did not include any charges for idle time of the skilled workers and establishment. Then there was the question of advance of 10 per cent before the start of the work and the third party damage.

2.25. In reply to a question, the witness stated that an attempt was made by the Chief Engineer to reduce the price. In his letter dated 5th January, 1963, to the contractor, which formed part of the contract, it was pointed out to the firm that the price of certain items was on the high side, but the firm expressed their inability to reduce the rates originally quoted. The Additional Secretary informed the Committee that the contractor had agreed to reduce the rates in respect of 5 items but had refused to reduce the rate of piles. In reply to a question, the witness stated that the rate of RCC piles including casting etc. was Rs. 20 per cft. which was not reduced; the lowest rate quoted in other tenders for this work was Rs. 9·8 per cft.

2.26. As regards the rates for the additional 366 piles, the representative of the Ministry of Defence stated that the contractor had offered to reduce the rates by Rs. 75,000 which was not accepted. The work was continued on the original rate. The Additional Secretary informed the Committee that the matter was under dispute which had been placed before the arbitrator. The contractor had been authorised to carry out the work. In reply to a question, the witness stated that the original rate was agreed to for a certain number of piles. It was permissible for the engineers to ask for a reduction in the rates when the scope of work changed. (The rate fixed for the first work included in the original tender was for 369 piles. The number went upto 910 piles.) At that stage either the rates could be fixed through negotiations or the contractor could be asked to carry on the work and the rates settled separately. The contractor was allowed to carry on the work. During the settlement the contractor had offered a reduction of Rs. 75,000 which was not considered adequate. So it had become a subject matter of arbitration. As regards the payments made to the contractor for the additional piles the representative of the Ministry stated that the running payments were made at the old rates. He agreed that it was very unsatisfactory that the running payments were made at the old rates though they had objected to these being high.

2.27. Explaining further the Defence Secretary stated that there was a provision for more piles upto 50 per cent over and above the initial contract. When the quantity went beyond 50 per cent the contractor was prepared to offer a reduction of Rs. 75,000. The reduction of Rs. 75,000 was not considered adequate having regard to the increase in the scope of work. The arbitrator would have to decide whether the offer of the contractor was reasonable or whether he should be induced to give a greater reduction.

2.28. The Committee desired to know the quantum of extra benefit derived by the firm by adopting rivetted structures instead of welded structures provided in the contract. The representative of the Ministry of Defence stated that the work was not done as specified and the amount had not been paid. The contract was accepted on a welding basis, but the drawings which were accepted happened to be on the basis of rivetting.

2.29. In reply to a question, the witness stated that there were standing instructions in the MES that when the item of work was disputed the full payment should not be made or it should be reduced.

2.30. The Committee are unhappy to note the manner in which the contract was entered into with a firm in connection with the modernisation scheme in an Ordance Factory.

2.31. The Department did not finalise the designs before inviting tenders but indicated only the approximate quantities of work involved. The tenderers were asked to quote on the basis of their own design, but

the Department did not ascertain the approximate quantities of the work and the quantum of steel involved in the design adopted by the tenderers. The lowest quotation was decided upon with reference to the rates quoted and the approximate quantities of work mentioned earlier in the tender documents. In the absence of the assessment of correct quantities in respect of the designs given by the different tenderers, the Committee are unable to understand as to how the Deptt. came to the conclusion that the accepted tender was the most economical.

2.32. Another aspect of the contract was the high rate of Rs. 2102 paid for each pile. The Committee are disappointed to learn that the same firm entrusted this work to a sub-contractor at Rs. 985 per pile for the first 300 numbers and Rs. 910 for each additional pile. The Committee feel that the department should have ascertained these rates from other sources also, which would have helped the department to come to more reasonable terms with the contractor.

2.33. The Committee understand that the contract provided for a deviation limit of 50 per cent only. According to Departmental orders the additional piles ordered over and above this deviation limit should have been ordered only after issuing an amendment to the contract and settling the rates for the additional work. They desire that a thorough investigation should be made to ascertain as to why this procedure was not followed in this case. The Committee also feel that the Deptt. should have taken this opportunity to settle a lower and reasonable rate atleast for the additional work before authorising the contractor to continue the work. If the contractor was not agreeable for a reduction in the rates, the additional work could have been entrusted to the sub-contractor which would have resulted in a substantial saving.

2.34. The most unsatisfactory feature of this case is that running payments have been made to the firm at the old rates though it had been found by the Deptt. itself that the rates were very high.

2.35. The Committee would like to be informed of the action taken against the persons found responsible in this deal and how the claim of Rs. 5:19 lakhs has been settled.

Provision of Monsoon Shelters—para 30—*page* 18:

2.36. Ten contracts ranging from Rs. 3·18 lakhs to Rs. 11·95 lakhs in value, were concluded by a Chief Engineer in March, 1963 for the provision of monsoon shelters in certain contiguous areas. In respect of three of these contracts, tenders were invited twice and in respect of five other tenders were invited three times. The number of tender forms issued on the second and third occasions was less than that issued on the first occasion. While at the first tendering one day's time was given to the tenderers to give their quotations, on subsequent occasions they were required to submit their quotations on the day of issue

of tender forms. In two cases the second and third tendering took place on the same day. The rates accepted in these contracts ranged from 54·46 percent to 79·44 percent above the Standard Schedule of Rates.

2.37. The work on these contracts which commenced on 19 March, 1963 was required to be completed in about three months, by 19 June, 1963. The execution of the work was, however, delayed by one and a half to three and a half months, largely due to delay in handing over the sites and to non-availability of stores required to be issued to the contractors by the engineering authorities. One of the works was completed on 31 July, 1963, eight between 3 and 24 August, 1963 and one on 6 October, 1963. The advantage of early completion of the works by paying higher rates did not thus materialise. On the basis of the lowest rate obtained in these contracts *viz.*, 54.46 per cent Government had incurred an extra expenditure of Rs. 5·76 lakhs on the other nine contracts.

2.38. Repairs estimated to cost Rs. 97,000 had been sanctioned for these shelters in May, 1964—within nine months of their construction.

2.39. Explaining the position in this case, the Additional Secretary, Defence Ministry stated that this was not a bad case if the prevailing circumstances were taken into account. The work had to be executed in an area where the transport of materials was difficult when monsoon conditions were prevailing. The construction of shelters was urgent because the monsoon was expected at any time. In reply to a question, why there was delay in handing over the sites, the witness stated that there had been some delays in handing over some sites. There had been some lack of coordination between the users on the one hand and the agency executing the work on the other. A whole Corps of troops were moved into the area in 1962 and the GOC wanted shelters to be constructed before mansoon. If the Engineer had not taken timely action, the delay would have been more instead of 1½ months. The sole objective at that time was to complete every thing before the end of May or end of June. This objective was fulfilled to a certain extent because the work was started immediately within three or four days in a number of cases.

2.40. On being asked about the penalty for the delay in the completion of the work, the representative of the Defence Ministry stated that there was a penalty clause, but no amount was claimed. The Secretary, Ministry of Defence stated that the delay in completion was with regard to the last item. It was not as if no work was completed before the last date. Some of the component units were ready even earlier. The Committee were informed in reply to a question that in one case there was delay in issuing CGI sheets.

2.41. As regards repairs, the representative of the Ministry of Defence stated that because of specification of thatching and the use of CGI sheets,

the maintenance period was reduced to six months from one year. In reply to a question, the witness stated that the impression was that the supervisor was satisfied that the work was not below specification.

2.42. **The Committee regret to note that although higher quotation had been accepted as a result of spot tendering there was delay in handing over the sites and non-availability of stores required to be issued to the contractors, by the engineering authorities, which resulted in delay in the execution of the work connected with the provision of monsoon shelters for the troops. If the provision of monsoon shelters was really urgent, the authorities should have taken steps to hand over the sites in time and supply the required material for the construction of those shelters. The Committee hope that suitable steps would be taken by the Ministry to avoid recurrence of such instances in future.**

Infructuous expenditure due to abandonment of a project, para 34, *pages* 19-20:

2.43. A Commander Works Engineer sought the advice of the Geological Surevey of India in April, 1964 about the site of a tube-well to be installed at a Station. The Geologist's report received on 2 July, 1964 stated that the construction of a tube-well in the area did not appear to be feasible as the area did not hold ground water potentialities for large scale development.

2.44. Meanwhile, the Cammander Works Engineer concluded a contract for the provision of a tube-well on 16 June, 1964 on the basis of an earlier report from the Geological Survey. In spite of the adverse report of 2 July, 1964 of the Geologist no action was taken either to rescind or to foreclose the contract, but drilling work was carried on to a depth of 450 feet below ground level as provided for in the contract. The work was abandoned on 2 November, 1964 as no water bearing stratum was struck. The expenditure of Rs. 65,000 incurred on the project, thus, proved infructuous.

2.45. The Committee desired to know how the CWE considered it desirable to proceed ahead with the drilling when the two Reports of the Geological Survey were discouraging. Explaining the case, the Defence Secretary informed the Committee that the earlier geological report had recommended a trial borehole upto depth of 400 feet. The area was boulder infested and the only method of drilling was by means of percussion type of drilling. The diameter of the bore was the same as that of the bore required for the tube-well. As such the expenditure was the same for the trial borehole or a tube well. Explaining further the witness stated that the first report was that of the Superintending Geologist and the second one was that of the senior geologist. An advance copy of the second report was sent to the Chief Engineer and the main copy to the Geological Survey of India. It was not known whether the Geological Survey of India

had accepted the report or not. The witness added that actually the work did not depend on the report. The contract had been concluded on the 16th June, 1964 and the work was commenced on 26th June, 1964 while the advance copy of the second report was received by the CWE on the 2nd July, 1964. The local CWE did not know of the existence of the first report of the Geological Survey (Jan. 1964) in April, 1964 so he asked for a report which he got in July. Between April and July he get a copy of the first Report and entered into a contract. Further, to commence the work on the tube-well, the equipment had to be taken across the river which had no bridge. It would have been impossible to take the equipment across the river once the rains started. As such the CWE could not wait and had to conclude the contract urgently. The Contract was concluded by the time the second report was received. The basic factor was that since the work had already been commenced, it would not have achieved any purpose by stopping the work at a particular time.

2.46. **The Committee understand that even the earlier report of the Geological Survey of India made in January, 1964 was sceptical of a high water table and had only recommended that a trial borehole might be drilled to a depth of 400 feet at any convenient location and if sufficient granular material is met with within this depth the borehole may be converted into a tube-well. The Committee are therefore, unable to understand as to how the Commander Works Engineer concluded a contract on the 16th June, 1964 on the basis of earlier report of the Geological Survey of India made in January, 1964 and continued the work till November, 1964. Another disturbing factor in this case is that the local Commander works Engineer was not aware of the existence of the first report and had sought the advice of the Geological Survey of India in April, 1964, but even before the advance copy of that report was received by him on 2nd July, 1964, he concluded a contract on the 16th June, 1964 and commenced the work on 15th June, 1964. The Committee feel that if the CWE who sought the advice of the Geological Survey of India had waited till 2nd July, 1964, the expenditure of Rs. 65,000 which had proved infructuous would have been avoided.**

Excess Provisioning of Stores, para 37, *pages* 20-21:

2.47. In anticipation of sanction for the execution of a project the Chief Engineer of a Command procured stores worth Rs. 25·48 lakhs during 1963-64 and 1964-65 against indents and supply orders placed by him in April and May, 1963. The stores were, however, rendered surplus as the project was not eventually sanctioned.

2.48. The Ministry intimated Audit in February, 1966 that stores worth Rs. 9·55 lakhs only were held in stock, the balance having been utilised for other purposes. The expenditure on freight, handling, care

and custody of these surplus stores amounted to Rs. 2·26 lakhs till August, 1965.

2.49. The Committee desired to know (i) the reasons for placing indents for the stores before the sanctioning of the project in contravention of the rules and (ii) action taken against the officials found responsible. The Additional Secretary, Ministry of Defence stated that the explanation had been called for and the concerned official had stated that certain stocks had arrived by the time the instructions were received by him and the rest were on the way and so he could not stop the receipt of goods. But the witness stated that the officer had no authority to order for the goods prior to the sanction of the main work. It had also been found that the officer had made an incorrect statement in regard to the receipt of goods to the higher authorities when he was asked to stop the purchase of goods. In reply to a question the witness stated that a stage had come to take action against the officer. In this case there were two officers namely the Chief Engineer and the Deputy Chief Engineer who had since retired from service on the 28th August, and the 5th May, 1965, respectively. The only action that could be taken now was to initiate action for reduction of pansion for unsatisfactory service.

2.50. The Committee were informed that out of stores worth Rs. 22·98 lakhs received at Ranchi, roughy Rs. 21 lakhs, worth of stores had been transferred to other areas.

2.51. The Committee understand from Audit that the Chief Engineer was informed on 9th October, 1963 that the proposal for advance provisioning of stores would be considered only after the scrutiny of the estimates for the main project was complete. But it was only after 14th February, 1964 when he was advised that the financial authorities had not concurred in the advance collection of stores that he approached the DGS & D for cancellation of indents etc. At that stage, cancellation could be effected in respect of stores worth Rs. 1·75 lakhs only. The Committee regret to note that no action was taken to stop provisioning of stores at least immediately after 9th October, 1963.

2.52. The Committee suggest that action should be taken against officers who placed indents for stores in contravention of the rules. They may be informed of the final action taken against the Chief Engineer and the Deputy Chief Engineer.

Loss due to collapse of a hangar, para 38, *page* 21:

2.53. A contract was concluded by a Commander Works Engineer in September, 1963 for erection by 3 December, 1963, of a hangar at an airfield at a cost of Rs. 99,400. On 13 December, 1963 when the work was still in progress, the partially erected hangar collapsed. The con-

tractor attributed the collapse to heavy snowfall in the area and defective structural design and claimed a sum of Rs. 34,790 as compensation for the loss. The Military Engineer Services authorities did not accept the claim but held that the hangar collapsed due to defective workmanship, and the contractor was asked to re-erect the hangar at his own expense.

2.54. While the re-erection work was in progress, the hangar again collapsed on 11 December, 1964 rendering unserviceable 223 tonnes of cement (valued at Rs. 58,857) stored in it. The contractor again attributed the collapse to heavy snow deposits but the Military Engineer Services authorities held that it was due to the failure of the contractor to take requisite precautions during the erection of the structural work. There had been no further progress in the erection of the hangar.

2.55. In July 1965, an arbitrator was appointed under the terms of the contract to adjudicate on the disputes arising out of this contract; the award of the arbitrator was awaited till January, 1966.

2.56. The Committee desired to know whether the arbitrator had given his final award and if so the financial implications of the award. The Additional Secretary, Ministry of Defence stated that the arbitrator who was a technical man had given the award against the Government. The financial implications of the award was Rs. 1,16,000 as against Rs. 99,400. All the six claims made by Government had been rejected. In reply to a question, the representative of the Defence Ministry stated that the contractor's plea was based on the structural short-comings in the hangar. It was now being examined whether the collapse of the hangar was due to the defect in the design or due to defect in the construction by the contractor and also whether the grounds of claims were sustainable or not. In reply to a question, the Defence Secretary stated that the arbitrator was a technical person who was still in service.

2.57. As regards 223 tonnes of cement valued at Rs. 58,857 rendered unserviceable as a result of the collapse of the hangar, the representative of the Ministry of Defence stated that the hangar was erected for keeping stores, but before the hangar was completed, the cement was kept in it. That aspect also formed part of the investigation.

2.58. The Committee regret to note that the award in this case has gone against the Government and the financial implication of the award is Rs. 1,16.000 as against Rs. 99,400 which was the value of the contract. They suggest that the Ministry should go into the various aspects of the construction and collapse of the hangar and take suitable action against the officers found responsible.

(iii) General Staff Branch

Non-utilisation of Glider—Para 11, *page* 7:

2.59. (a) Government sanctioned in March, 1962 and June, 1963 the manufacture of 300 gliders in an Air-craft Manufacturing Depot at an estimated cost of Rs. 15,000 per glider. The time schedule drawn up for the manufacture of 265 out of these 300 provided that 160 would be manufactured in 1963 and 1964 and 105 in 1965. Only 57 gliders could, however, be produced till April, 1965. The average cost of these gliders was Rs. 51,970 approximately per glider in respect of the first batch of 5, Rs. 32,360 in respect of the second batch of 20 and Rs. 36,430 in respect of the third batch of 32.

Of the 57 gliders manufactured, 35 were issued to various N.C.C. Units but these (excepting one which was flown for about two hours) have not been put to any use by the units for want of airfield facilities, hangar space and trained instructors. Two of these gliders are also reported to be unserviceable. An expenditure of Rs. 20.72 lakhs incurred in the manufacture of these 57 gliders has thus not served the purpose of imparting training to the cadets. The Ministry have intimated in January, 1966 that in view of a setback in the utilisation of gliders, the proposal of handing over maintenance of gliders to Flying/Gliding clubs in India is under consideration.

(b) The Air Force had also purchased 8 gliders during 1957-58 from a private firm at a total cost of Rs. 1.28 lakhs. These were issued to certain N.C.C. Units. These have not been put to any use due to non-posting of qualified glider instructors, lack of hangar accommodation and non-availability of assembly/servicing manuals.

2.60. Stating as to how the number of gliders to be manufactured was arrived at the Defence Secretary, during evidence, said that when the programme for a compulsory N.C.C. came into being at the end of 1962 and the beginning of 1963, plans were drawn for extending the Air Wing of N.C.C. also. Such a programme had to be co-ordinated in three ways; gliders had to be procured from A.M.D. Further, there was the question of getting instructors and obtaining hangars and ground facilities. The witness stated however that co-ordination could not be achieved. While gliders had been received, instructors could not be recruited. The witness further added that efforts were being made to cut the losses and reorganise the whole thing with a view to put the gliders into effective use. He added that he could not visualise the problem being solved in another 12 to 18 months. With regard to the pilots required for the purpose it was stated that due to the additional demand of them in 1963, they could not be

drawn for the job from the Air Force. Even the pilots given for the work were withdrawn. Efforts were then made to recruit pilots from the Civil side and so far three pilots had been recruited.

2.61. The Committee enquired if the position about the availability of pilots was so difficult in 1962-63, why sanction for the maunfacture of 209 gliders was given in June, 1963. The witness stated that 1963 was a year of enthusiasm and it was felt in that year too that the N.C.C. should be made compulsory. When asked if enough pilots were not available and also sanction for the manufacture of 91 gliders accorded in March, 1962 was there, how the sanction for 209 gliders could be justified, the witness replied. "Proper thinking was not done at that time."

2.62. In regard to the present position of 57 gliders manufactured between 1963-1965, the Defence Secretary stated that about 44 gliders had been received and there were now a total of 85 gliders. The witness disclosed that there were 28 instructors at that time and ten more were to join. Gliding instructions at present were being provided at 12 places. It was hoped that the authorities would be able to recruit some more civilian instructors and provide instructions at a few more places shortly.

2.63. The Committee desired to be furnished with a statement indicating number of gliders out of 65 (57 manufactured in an Aircraft Manufacturing Depot and 8 purchased in 1957-58) which were in use, lying idle or had been disposed of; alongwith reasons for non-use and how they were proposed to be utilised. The note furnished by the Ministry is at Appendix II.

2.64. On being asked why price differential was so much between the glider purchased and manufactured, the representative of the Ministry stated that at the time of sanction certain quotations were received which indicated that price would be of the order of Rs. 20,000 to Rs. 23,000. The Air-craft Manufacturing Depot was asked if it would be able to undertake the production of gliders. The Depot was also told that a large number of them were required immediately and more would be required over a long period. The witness stated that the Depot indicated that if an order for 300 gliders was given, the price per glider would stabilise at Rs. 15,000 which would be reached from the 95th glider. The price of first few batches would however, be higher. As in this case, order for the manufacture of gliders had been curtailed after the manufacture of a certain number, costs were comparatively higher than the original estimates. The witness also disclosed that there was a discrepancy as the sanction for the first 91 gliders should have been for a higher price and not on the basis of Rs. 15,000 per glider.

2.65. The Committee enquired whether the figure of 300 was determined because of cost or it was fixed in advance. The witness replied that at the time of sanction requirement was of 100 gliders, but orders were placed for 91. As there was a continuing demand, the Depot was asked to set up manufacturing capacity for 5 gliders per month. After the completion of first 100 gliders, production of 60 gliders per year was to be continued. The witness added that the above requirement was based on the requests of N.C.C.

2.67. In reply to a question as to why the Depot was not allowed to complete manufacture of 91 gliders, the witness stated that that was the anticipation in 1961-62. Actually it took time to establish supply of indigenous materials of proper quality. As in 1964-65 difficulties were expressed in establishing local sources of supply, action to import some material was taken in May, 1964. There being considerable delay in respect of imported materials, only 57 gliders could be completed by December, 1965. By that time the Director General, N.C.C. had informed that he did not require more than that number for the next two or three years. It was therefore, decided to curtail the orders for the manufacture of gliders. But by then, in addition to 57 completed gliders; fabrication had been done for 28 gliders and materials worth of few lakhs of rupees and also been accumulated. The witness revealed that by the time the manufacture was closed down, in addition to Rs. 20.72 lakhs put down by audit, expenditure of the order of Rs. 20-25 lakhs had been incurred.

2.67. In regard to the utility of above expenditure the representative of the Ministry stated that they would have 105 gliders, tools and jigs of the value of Rs. 8 lakhs. The witness added that if there was a further requirement the material could be used. The Committee then asked if the gliders were surplus to requiremets would there not be need for storing space for them. The witness replied that by that time it was hoped that the position regarding the utilisation of gliders would improve.

2.68. The Defence Secretary agreed that the gliding clubs were the complements of air-power and though that the Government would go ahead with the programme. Expressig his personal opinion, the Defence Secretary said: "What I am not happy is the speed of implementation. There are certain drawbacks and we should overcome those drawbacks. We should implement it as quickly as possible.". He further said that the flow of gliders should be coordinated with the flow of pilots and that there should be good hangars so that once a glider came out, it did not remain locked up in its crate, but was immediately put into use.

2.69. Asked what steps had been taken during the last one year to have more pilots, gliding clubs and hangars, the witness stated that a number of N.C.C. Air Squadrons had already been sanctioned. The witness hoped that by the various steps contemplated the instructional capacity would

improve. So far provision of hangars was concerned, it was stated that the State Governments were being pursuaded to do that.

2.70. The information furnished by the Ministry (Appendix II) indicates that 57 gliders, out of the target of 265, had been manufactured upto 1965. 32 gliders out of 44 supplied to the N.C.C. had not so far been put to use. The cost of a glider manufactured had also gone much above the estimated cost.

2.71. The Committee feel that the programme for the manufacture of gliders was drawn up in the most un-imaginative manner. The question of providing hangars and pilots to the gliding clubs should have been taken up simultaneously with the programme of the manufacture of gliders. The Committee regret to note that this was not done. Further, as the hangar facilities were to be provided by the State Governments, timely action should have been initiated in that direction also.

2.72. The result of this lack of coordination regarding different aspects of this case has been that an expenditure of Rs. 20.72 lakhs incurred on the manufacture of 57 gliders and in addition another expenditure of about Rs. 20 lakhs incurred on the materials etc., have not served the purpose of imparting training to the cadets so far. The Committee feel that before undertaking such projects, different aspects of the same should be examined in detail and proper coordination ensured, as lack of the same is bound to result in wasteful expenditure. The Committee hope that the Ministry of Defence would now take suitable measures to utilise the gliders for the purpose for which they were intended and speedy measures would be taken in that direction.

2.73. Another disquieting features of this case is that against the quotations of Rs. 20,000 to 28,000 per glider received from private sources at the time of placing orders, the average cost of these gliders purchased from the A.M.D. was Rs. 51,970 in respect of the first 5; Rs. 32,360 in respect of the second batch of 20 and Rs. 36,430 in respect of the third batch of 32. The Committee feel that difference in the price at which the gliders have been supplied by the A.M.D. and at which the quotations were received from the private suppliers is too much. The Committee are left with the impression that the original estimate of the A.M.D. of supplying the gliders at the rate of Rs. 15,000 per glider was unrealistic.

Premature failure of imported engines—Para 19, *pages* 11-12.

2.74. In 1957, Government imported 150 Nos. of an equipment with 48 spare engines costing Rs. 6:44 crores. However, when this equipment was put to service in sandy/dusty terrain, there were premature failures

of engines due to the inefficient functioning of the dry paper air-filters fitted in them. The suitability of these air-filters for the dusty terrain had not, apparently, been tested fully during the initial performance trials.

2.75. Subsequently, 150 sets of a different type of oil bath air cleaners were manufactured in an Army Workshop at an estimated cost of Rs. 9,000. These too, however, proved ineffective, resulting in excessive wear of certain parts of the engine. 198 sets of yet another type of air cleaners were, therefore, procured from abroad in November-December, 1962 at a cost of Rs. 2·40 lakhs, no defect in this type of air cleaners, which were fitted to the engines in December, 1963, has been reported.

2.76. The Ministry have stated in January, 1966 that the inadequacy of the air cleaners provided in the equipment did not come to notice even during extensive trials. They have also intimated that the warranty clause included in the agreement which provided for free replacement of defective parts within a period of 12 months could not be invoked as the defects came to notice only after the expiry of the warranty period.

2.77. The Committee during evidence referred to the para and asked whether the trials held specifically brought out the performance of the air-filter under different conditions prevailing in the country. The witness replied that the trials were held at one place and the conditions to the extent stimulated at that place, were there. He added that the trials were held in 1954 whereas the equipment was imported in 1957.

2.78. In reply to a question the witness explained that it might not be possible to stimulate all the conditions at the place of trials which the equipment might meet in actual operation. But, he added that the equipment was put to extensive trials. The witness stated further that it was not possible to get all the satisfaction in such bulk purchases. There were always one or two drawbacks. According to the witness, if a sum of Rs. 2-3 lakhs was spent on rectification of minor defects in an order of Rs. 6·5 crores, it was not a big amount. So far as trials were concerned. it was stated that two types of trials were carried out—first technical trials and then user trials. In the case under discussion, the witness disclosed that the user trials were not fully carried out.

2.79. Asked whether it was possible to improve upon the standard of trials, the witness replied that it would cost quite a lot. Moreover, the trials to be carried out would have to be judged according to the particular equipment. The Committee were also informed by the witness that when defect came to notice, various alternatives were tried and finally a filter was found which was in use at present. There was only 10% of the present stock of equipment which was off the road, and that too for various defects and not for one particular defect.

2.80. The Committee regret to note that due to non-carrying out fully of the users' trials in this case, the defects in the equipment could not be detected during the duration of the warranty. This resulted in an expenditure of Rs. 2 to 3 lakhs on rectification of the defects. This expenditure could have been avoided if the users' trials had been carried out fully during the warranty period and under the conditions in which the equipment was required for use.

2.81. The Committee would like the Defence authorities to look into the matter carefuly and devise means by which recurrence of such cases would be obviated. They feel that there should be a system under which proper inspection and trial of costly Defence equipment purchased from abroad could be made before they were put on active use.

(iv) Master General of Ordnance Branch

Purchase of defective links, Para 18, *Page* 11:

2.82. Against a contract entered into with a foreign firm in February, 1963, 4,184 strips of steel shoe track links costing Rs. 39:41 lakhs required for a particular type of tank were received by a vehicle depot between March, 1964 and October, 1964. The terms of the contract stipulated that the consignments, before shipment, were to be supported by a Certificate of Inspection by the Army authorities of the supplying country. The consignee in India was also required to inspect the material within 90 days of clearance of goods at the port of disembarkation and intimate his acceptance or rejection of the links within 105 days from the date of clearance of such consignment. The links were accepted by the consignee on visual inspection only without carrying out any road test on the basis of a certificate of the Army authorities of the supplying country which stated, "..end connectors and wedges used in the assembled track in this shipment appear to be unused, but the time and place of manufacture is unknown. Their use will not affect function, serviceability or interchangeability...".

2.83. In December, 1964, one of the units to which these links were supplied noticed defects in them when the tank fitted with these links had run only 96 kilometres. In January, 1965 the technical authorities reported to Army Headquarters that these defects were due to faulty workmanship and material. Similar defects were also reported by other units after the tracks had covered distances of 18 kms. to 354 kms. A detailed technical examination of the defective track links was, therefore, carried out in March, 1965. This disclosed that failure of the link was due to bad welding in the track links, besides other defects. The technical authorities reported in March, 1965 that it was not possible to carry out repairs/modifications to the track links without removing, dismantling and re-assembling the track completely and that hundred per cent replacement of the links was, therefore, necessary. The Army Headquarters have reported these defects to the

India Supply Mission on 31 May, 1965 for getting immediate replacement of the entire quantity of links supplied by the firm against this contract. No replacement had been received till January, 1966.

2.84. Explaining the background for the purchase of track links, the Additional Secretary Ministry of Defence stated, during evidence, that as there was an acute shortage of track links for a particular type of tank, efforts were made to procure them indigenously and from various other sources. Some track links were also received under an aid programme. To meet the balance demand the I.S.M. Washington was asked to invite tenders. The contract was given to the lowest tenderer. The track links were received in India backed by a certificate of the Army authorities of the supplying country as provided in the contract.

2.85. It was stated that unless there was a specific provision for a thorough inspection of the goods in India, they were accepted on the basis of a certificate either from the Army authorities or from the Government of the supplying country.

2.86. In regard to the track links, in question, it was stated by the witness that the defect in them came to notice after the tracks had been used. The defect was of such a nature that it could not be detected except by a thorough investigation. The witness also added that all possible steps had been taken to claim the loss incurred and the matter was under correspondence with the I.S.M., Washington. It was further stated that though some of the track links had failed yet in number of cases they had not given any trouble. All the same the defect was considered to be inherent and was likely to develop at any time.

2.87. Asked when the acceptance or rejection was to be intimated within 105 days what type of inspection was supposed to be carried during that period, the witness stated that the inspection to be carried was to be only visual one and not the actual physical tests. It was to be verified that parts accompanying the track links were in good condition and dimensionally they were capable of being fitted on to tanks, and further that the tracks had not deteriorated or had not been damaged in transit. So far as the period of 105 days was concerned, the witness stated that out of that period, 90 days were provided for clearance from the Indian port to the place of delivery.

2.88. The witness informed the Committee, in reply to a query, that the Military Attaches to the Indian Embassy in the foreign country was not capable of inspecting the goods as he was not a technical man. He also disclosed that the track links were composed of various and in regard to two components only the place and time of manufacture was not known. He, however, added that those two items would not effect the functioning of track links.

2.89. Asked when making purchases worth Rs. 40 lakhs it was not proper to send our own team for carrying out the inspection. The witness replied that it was neither practicable nor desirable. If a thorough inspection was to be made right at the manufacture stage a large body of staff would be employed for a long time. The witness stated that in cases where some special care had to be taken, inspection by the Indian technician was provided; but that was in very rare cases, he added. In the present case the witness stated that the contractual provision of warranty was accepted as it gave sufficient guarantee to reimburse the losses. Further, he said, that the equipment was not a complicated price and, therefore, no necessity was felt to associate Indian officers.

2.90. The Committee were informed that the tests held in regard to certain items indicated that in addition to the bad welding there were other defects too. Asked how the links were issued for operational purposes without putting them to a detailed technical examination, the witness replied that it was done on the basis of the certificate given by the Army authorities of the supplying country. The witness added that normally such defects occured after a run of thousands of miles. But in this case as they appeared much earlier a special investigation was made. That investigation was not an ordinary process. A radiographic inspection had to be conducted. The witness further stated that it was not possible to hold similar examination in every case. It was added that the defects which became visible later could only be found out earlier if the track links had been used extensively or they had been put to a radiographic test. The witness stated that there were no means to do that.

2.91. When asked if a few links couldn't be put to that examination, the witness stated that that was not a normal practice. This method was tried as inspite of the certificate of quality, defects appeared in track links. He also added that facilities for radiographic test were also not available with them.

2.92. The Committee were informed that on another occasion the track links purchased from another country were put to physical trial and as the links were found defective reduction in price was had from the suppliers. The Defence Secretary also added that physical tests in that case were carried out because that particular supply was had from that country for the first time and the Indian authorities had no previous experience with them. In this particular case as the track links were imported from the country of origin along with the required certificate, it was not considered necessary to have extensive road tests Visual inspection, however, received that the tracks were alright.

2.93. Asked whether there was any system under which the vehicle was first tested in a workshop or depot, before it was issued for actual use,

the witness replied that the EME carried out a test before the issue of vehicles and that no vehicle was issued without a certificate of fitness. In regard to the track links it was stated that a road test was carried out, but that test was always over a limited mileage according to the usual practice.

2.94. In reply to a query the Ministry's representative stated that in May, 1965 replacement of defective track links was asked for. The supplier had, however, not accepted the claim, but the information asked for had been sent and a further reply was awaited. The witness added that a number of letters had been exchanged on the subject.

2.95. The Committee desired to be furnished with a note indicating whether the track links were purchased for the first time after the purchase of links from another country and also the following information in regard to the firm from whom the links were purchased:

(i) total value of orders placed with the firm including the order for track links;

(ii) financial position of the firm; and

(iii) paid up capital of the firm.

2.96. The Ministries of Defence, and Supply, Technical Development and Materials Planning have supplied the required information.

2.97. The Committee regret to note that extensive Users' tests were not carried out in this case and it was apparently due to this, that defetcs in track links could not be detected earlier.

2.98. The Committee do not like to comment upon the system of purchasing defence equipment under the certificate of military authorities of a foreign country from which the equipment or stores etc. are purchased. They, however, feel that as the present case has revealed certain defects in the system, there are strong reasons for its review. The Committee are of the opinion that taking into account the economics of the case some arrangement should necessarily be made for inspection by the Indian experts of the important items of equipment etc. purchased from a foreign manufacturer, involving large financial commitment and operational value, before the goods are finally accepted. Decision in this regard, the Committee feel, should be taken at an early date.

2.99. The Committee would also like to know in due course, the amount of compensation, if any, obtained from foreign suppliers with whom this case has now been taken up.

Extra expenditure in the procurement of mosquito nets of a costlier variety
Para 21, *Pages* 12-13.

2.100. In order to explore the possibility of meeting the urgent needs for mosquito nets through local purchase, enquiries were made by an Ordnance Depot from local firms in February, 1963. The lowest quotations received from a firm 'A' for mosquito net square mesh were Rs. 14·90 for white variety and Rs. 15:50 for the Khaki variety and the samples produced by the firm were also accepted by the Inspection authorities subject to rectification of some minor defects. The Army Headquarters, however, gave their consent to effect local purchase in July, 1963 only. Tenders were again invited in August, 1963 when the firm 'A' quoted Rs. 14·90 and Rs. 16·25 for square mesh white and square mesh Khaki respectively. This tender was not, however, accepted and instead the rates of Rs. 20·75 for white square mesh and Rs. 21 for Khaki square mesh quoted by another firm 'B' from whom enquiries had not been made earlier were accepted on the ground of superior quality.

2.101. The Ministry informed Audit in January, 1966 that the order of preference for mosquito nets is:

(i) Round mesh nets;

(ii) Leno type square mesh nets;

(iii) Mockleno type square mesh nets;

and that since round mesh netting was not available, Leno square mesh netting offered by firm 'B' was accepted in place of Mockleno square mesh netting offered by firm 'A'. Since, however, the Mockleno type of mosquito nets had already been passed as acceptable by the inspecting authorities and no specifications mentioning the type of netting required or preferred had been given in the notices inviting tender, the purchase of 6,600 nets involving an extra cost of Rs. 36,740 lacked justification.

2.102. During evidence the Committee were informed that ordinarily mosquito nets were purchased by placing orders on the D.G.O.F., but as the supplies were not materialising from them, local purchases for the nets were resorted to. At the time of inviting tenders, the witness stated, since proper specifications of the nets required were not indicated, it led to a mistake. Explaining further, the witness stated that specifications should have been indicated in the tender notice itself as without the specifications there was no possibility of comparing whether the quotations were genuine or not. The witness disclosed that instructions had since been issued, for the mentioning of correct specifications in the future tenders.

2.103. It was further explained that the quotations initially received in response to the tender enquiry were mixed up and by the time the requirements were assessed the Army Headquarters instructed that there was no

need to go in for local purchase. But later as the Southern Command pressed for the mosquito nets an Ordnance Depot was asked to make local purchases. The witness added that in the second tender enquiry too the type of mosquito nets required was not mentioned *i.e.* whether it was to be Leno or Mockleno type.

2.104. The Committee pointed out that the tenders invited should have given full description of the goods wanted and chance should have been given to all the tenderers and the goods purchased from the one who offered the most competitive price. The witness replied that at the second time the four firms quoted and the firm to whom the contract for the supply of nets was given, was the only one which quoted for square mesh leno-type whereas the others quoted for Round and Mockleno types. The medical authorities had given first priority to the Round mesh, then to Leno type square mesh and last to Mockleno type.

2.105. In reply to a query that quotation from the firm in the first instance too, was approved for Mockleno type by the inspection authorities, the witness stated that it was not accepted, but only the Inspector had certified that it was within the specifications. The Committee were further informed that the D.G.O.F. price for the Leno type in 1963 was Rs. 19·2 for khaki and Rs. 18·1 for white. In 1964 it was Rs. 20·97 for khaki and Rs. 20·06 for white.

2.106. The Committee feel that while inviting tenders, full description of the mosquito nets required, should have been given to enable the tenderers to quote for the correct type of the material. They regret to note that this was not done in this case. They hope that with the issue of these instructions such cases would not recur.

Non-utilisation of Engines and Vehicles.—Para 46, *Page* 25.

2.107. In order to conserve foreign exchange, it was decided in 1960 to remove the engines from 75 trucks of a foreign make and to utilise them as maintenance reserve for a further 621 trucks of the same make. The 75 trucks thus denuded were to be fitted with indigenously manufactured engines of a different capacity, after necessary modifications to the chassis

2.108. The engines were, accordingly, removed from 54 trucks during 1961, from another 18 during 1962 and 1963 and from 3 in 1964; 58 of them were overhauled between 1962 and 1964, and the remaining 17 were found to be beyond economical repairs.

2.109. An indent for 84 indigenous engines and some spares was also placed in October, 1961, and the stores, of the value of Rs. 4.65 lakhs, were received between June, 1963 and September, 1964.

2.110. The indigenously purchased engines had, however, not been fitted on any of the engineless vehicles till January, 1966, with the result that 75 vehicles costing about Rs. 8.39 lakhs have not been put to any use, for years in some instances.

2.111. Referring to the Audit para, the Committee enquired at the time of evidence, whether proper inspection was conducted before removal of engines from the vehicles with a view to ensuring that the engines were serviceable or at least repairable. The Defence Secretary replied that the vehicles which were sent out for use returned to the depot either after the expiry of predetermined performance or if they did not function well. The vehicles on their return to the depot were examined and the engines removed to see whether they were capable of repair or beyond economical repairs.

2.112. The witness referring to the present case stated that the decision was to provide spare engines by removing from the existing vehicles. But the vehicles were not called back specifically for the purpose. They were stripped off when they returned to depot in the ordinary course and the engines found fit after being reconditioned were kept in reserve. The witness stated that the decision to fit the 75 vehicles, from which the engines had been removed, with new indigenous engines was taken on principle. But before indents could be placed for new engines various technical examinations had to be conducted which took time and the indent could be placed by the 16th June, 1961. The witness added that while most of the parts were received by August, 1964, two items, certain modification kits and certain nuts and bolts were, not received till July, 1965.

2.113. In reply to a query, the witness stated that he could not quite justify the delay and added that the workshop should have shown a greater amount of initiative in trying to fabricate the parts locally or obtain them from elsewhere. The witness further added that all the vehicles had since been fitted with engines.

2.114. In regard to an item which was supplied by the supplier under a different part number, a representative of the Army Headquarters stated that the part belonged to the modification kit, and its revised number was not known to the depot.

2.115. Asked what was the life of those vehicles which had been fitted with the indigenous engines, the witness replied that according to the 'discard policy' vehicles were discarded after they had done 35,000 miles

or after 7 years from the date of induction, whichever was more. With regard to the vehicles fitted with new engines, the witness stated that how the test of 35,000 miles was to be applied to them would have to be examined and decided. He added that it was also to be decided if the test would apply to the engines or the chassis.

2.116. The Committee then asked when it was decided to overhaul the old engines and put the new ones, the question of life of the vehicles must have been decided at that time. The witness replied that at that particular time those vehicles would have continued indefinitely. It was at the end of 1963 or beginning of 1964 that Government decided as a policy that even if the vehicles had some life it was better not to keep them but to dispose them and replace by new vehicles. Under that decision petrol vehicles were disposed of after they had done 35,000 miles or after they had put in seven years, whichever was more.

2.117. **The Committee regret to note that the engines (costing Rs. 4·65 lakhs) received during June, 1963 and September, 1964, remained unutilised for a period of 2-3 years, due to non-receipt of two items, one out of them costing only Re. 0·41. It is all the more regretable that the authorities concerned did not view the matter in a proper prospective and made no alternative arrangement for the procurement or fabrication of items but kept on waiting till they were received from the supplier.**

Infructuous expenditure in the movement of repairable vehicles.—Para 47, *Page* 25:

2.118. During March, 1960 to February, 1962 Army Headquarters ordered the movement of 288 repairable vehicles from Vehicle Depots/ Sub-depots at Delhi, Meerut and Chheoki to the Central Vehicle Depot at Panagarh. These vehicles were received there till June, 1962.

2.119. In November, 1961, however, by which time 245 of the 288 vehicles had been received at Panagarh, the Army Headquarters also began to issue orders for backloading these vehicles to the Central Vehicle Depot, Delhi for being repaired at the workshop in Delhi. The move of all but 5 of the original 288 vehicles was completed by March, 1964. This to and from movement of the vehicles has resulted in an infructuous expenditure of Rs. 2.18 lakhs approximately by way of railway freight alone.

2.120. The Ministry informed Audit in January, 1966, that the vehicles were moved to Panagarh because they were lying in the open in the various depots and surplus covered storage to accommodate them was available only in Panagarh and that advantages which accrued as a result of proper shelter to the vehicles would outweigh the expenditure incurred on their transportation.

2.121. The Committee were informed during evidence, that out of the 288 vehicles, only 43 vehicles had gone to Panagarh, after the decision to repair them at Delhi had been taken. A large number of the vehicles sent to Panagarh, it was stated, had remained at Panagarh for periods varying from one to three years.

2.122. Asked if the economics of constructing the covered-accommodation at Delhi for the vehicles than to send them to Panagarh had been examined. The witness replied that the construction of new accommodation would not have been justified when the same was available elsewhere. So far as the question of economics was concerned, the witness said that he was not sure if that had been examined. Expressing his own opinion he stated. "I entirely agree that the economics of the question should be examined."

2.123. The Committee were further informed that when decision was taken to move the vehicles to Panagarh, they were not on the repair programme. It was only in September 1961, when the defence liabilities became large, a review was held and those vehicles had to be put on the repair programme. The Defence Secretary added that the repair programme was framed for every three year period and for every workshop. At that time the point kept in view was that the actual or unnecessary movement should be the minimum.

2.124. The Additional Secretary, Ministry of Defence, referred to a question put by the Committee earlier as to whether the economics of construction of covered eccommodation in Delhi was considered before taking the decision about movement of repairable vehicles and stated that the specific question of constructing accommodation in Delhi was not taken into account but the matter was examined on the basis of certain proposals made by the Deputy Director Ordnance Services. The decision on the movement of vehicles to Panagarh was taken on the strength of the following advantages mentioned by him;

"Suitable cover for the vehicles lying in the open and minimising deterioration to them;

Economy in the maintenance and up keep of these vehicles, is that only a minimum maintenance need be carried out to them while under cover;

No periodical maintenance staff would be required;
Reduction in the cost of renovation and repair."

2.125. The Committee enquired whether there was any workshop near Panagarh to repair the vehicles. The Secretary, Ministry of Defence, stated that there were workshops at Allahabad but those were 300 miles away

from Panagarh. Moreover, certain other items of work which required the minimum movement were being done in the workshop at Allahabad. He added that the question was whether the total movement they had was the minimum movement or there was the probability of reducing the movement.

2.126. The Committee regret to note that 43 vehicles were moved to Panagarh after a decision to repair the vehicles at Delhi had been taken in November, 1961 when order for back-loading of some of the vehicles from Panagarh to Delhi was issued. The Committee feel that the movement of these 43 vehicles was unjustified and could have been avoided. The Committee also feel that before ordering movement of the vehicles in large numbers for the purpose of storage, their repair programmes etc. should be kept in view. Unnecessary movement of vehicles, even for a smaller number as in this case not only results in infructuous expenditure of transport but also causes inconvenience and undersired burden on the railways.

(V) Quarter Master General's Branch

Extra expenditure in local purchase of foodstuffs—Para 24—*Page* 14.

2.127. During the period October, 1964 to March, 1965, the Officer Commanding of a supply depot made heavy local purchases of tinned foodstuffs at a cost of Rs. 2.62 lakhs. The rates at which they were obtained were 50 to 100 per cent. higher than the rates at which such stores are sold by the Canteen Stores Department. The extra expenditure thus incurred was Rs. 1.13 lakhs.

2.128. The Ministry intimated in January, 1966 that a Court of Enquiry was being held and the Officer-in-charge, supply depot had been placed under suspension.

2.129. The Additional Secretary, Ministry of Defence, informed the Committee that in this particular case the original information was that the officer had purchased these items without obtaining a certificate of the Market Superintendent of the West Bengal Government. The officer had in fact obtained the prevailing market rates from the Market Superintendent. The excess on this basis worked out to less than Rs. 11,000. The only default was that the officer did not get the approval of the Station Commander. All such rates were required to be authenticated by the Station Commander before local purchases were made.

2.130. In reply to a question why such a large quantity was required to be purchased locally at high cost, the witness stated that at the time when the items (tinned supplies) were suddenly required in Calcutta, an enquiry was made from the Canteen Stores Department and it was found that almost all the items were not in stock and the Canteen Stores Department

also required six weeks notice for the supply of items. The Defence Secretary stated that the purchases were made centrally and supplied to the depots. The tinned food stuffs were not the normal requirement of the troops. These supplies were made to the troops in certain high altitudes. In this particular area, the Army Authorities suddenly decided to move the troops to the higher altitudes and a sudden demand for tinned food stuff arose. The Canteen Stores Department did not have the stock and therefore the local purchase was made.

2.131. On being asked as to why a Court of Enquiry was held and the matter referred to SPE., the witness stated that the Court of Enquiry was constituted to find out as to why high prices were paid. The certificate of the market Supdt. was not before the Court of Enquiry. The Court of Enquiry had opined that this officer had paid exorbitant prices. Because of this fact the matter was referred to SPE. Ultimately evidence had been produced. In reply to a question, the witness stated that the evidence that the certificate from the Market Supdt. was obtained had come up only lately.

2.132. The Committee desired to be furnished with a note indicating as to when the certificate from the Market Supdt. was obtained, when was it first produced before the Court of Enquiry, whether it was before the first court or the Second Court and if it was produced before the Second, why was it not produced earlier.

2.133. From the note (Appendix III) furnished by the Ministry it is observed that only one Court of Enquiry was held on the 13th September, 1965. This was followed by a Summary of evidence. It is seen that the officer produced the certificates obtained by him from the Market Superintendent at the Court of Enquiry. The certificates were not, however, taken on record of the Court of Enquiry proceedings. Further it is also seen that the officer had invited tenders and accepted the lowest quotations in all cases for the local purchases made by him. At the time local purchases were made, the prevailing market rates were not obtained through a Board of Officers convened by the Station Commander and these were not published through Station orders according to the prescribed procedure.

2.134. A Board of Officers was subsequential detailed by the Station Commander, Calcutta during January-March, 1966 in accordance with the existing rules to ascertain market rates prevailing during the period of purchases were made and these rates were authenticated through Station Orders issued on 16th April, 1966. The rates so authenticated were the prevailing retail rates as worked out by the Board in consultation with the Civil Marketing Superintendents of various markets in Calcutta. A comparison of the rates paid by the OC, Supply Depot, Calcutta for the various items

purchased by him with the rates as authenticated through station orders shows that an extra expenditure of Rs. 11,223·91 paise only was incurred in these purchases.

2.135. The Committee are surprised to note that the certificate obtained by the officer concerned from the Market Superintendent and produced before the Court of Enquiry in September, 1965 was not taken on record of the Proceedings of the Court of Enquiry. In view of the fact that this was a material document, the omission is inexplicable especially when the question was of paying higher prices.

2.136. The Committee may be apprised of the action taken on the findings of the S.P.E.

Extra expenditure in purchase of fresh vegetables and fruits, para 25, *page,* 14.

2.137. Fresh Supplies of vegetables and fruits in Bengal area were arranged till 1963-64 through contracts concluded on the basis of competitive tenders. For supply of these items during 1964-65 Government issued a sanction on 31 March, 1964 authorising conclusion of a negotiated contract with a Co-operative Society sponsored by the State Government. Accordingly, rates for supplies to be made during 1964-65 were negotiated with the Society by a Board of Officers and contract was concluded with them on 31 Mach, 1964 for Rs. 66,76 lakhs. A month and a half before the conclusion of this contract, on 18 February, 1964, open tenders had been invited for the same items. On the basis of the lowest rates obtained the contract concluded with the Society for the year 1964-65 was found to be costlier by Rs. 14·10 lakhs. For the year 1965-66 also a contract has been concluded with the same Society at rates which are about seven per cent higher than those at which the earlier contract was concluded.

2.138. The Ministry have intimated in February, 1966 that their action was based on a policy decision taken by Government that fruits and vegetables should be obtained by entering into negotiated contracts with the Agriculture Departments of the State Governments or with vegetable growers' co-operative societies sponsored by them. The Committee enquired when Government decided to give preference to a Co-operative Society for supply of fresh supplies to the Army, what were the considerations in deciding that the contract shall be a negotiated one. The Secretary, Ministry of Defence, stated that they wanted to build up and develop a co-operative system of supply. Therefore, it was felt that the Co-operative societies should not be asked to give tenders as it would not really be advantageous because in the open market the established traders would undercut them and once the co-operative societies were out of the way, they would charge their own rates. Asked whether this feeling that the open

market would under-cut the co-operative societies was based on any past experience, the witness stated that it happened in this case and added that before that (1963) there was no large scale dealing with co-operatives at all.

2.139. In reply to a question, the witness stated that this issue was taken up at that time. The Special Secretary Ministry of Agriculture had explained the circumstances in which the emergency scheme for the production of onions and potatoes in the border districts of the States of Assam, Bihar and West Bengal was started with the assistance of some subsidies and loans by the respective State Governments. This was done at the initiative of the Central Government. Large quantities of vegetables were produced as a result of this programme. Certain difficulties in lifting the surplus produce were pointed out especially by the States of West Bengal and Bihar. Due to lack of local markets, the decline in prices was considered undesirable from the point of view of the farmer. Also, vegetable growing was new to these regions and any fall in price would cause a serious set back to future production. The witness added that at the meeting of the Army authorities held on 26th July, 1963, with "representatives of the respective State Governments" and officials of the Indian Council of Agricultural Research a programme for effective working of the scheme was adopted. The representatives of Assam and West Bengal Government were requested to formulate schemes for the production and marketing of fresh vegetables, onions, potatoes in the selected centres in consultation with Army authorities. It was further suggested that the present contract system might be substituted by negotiated rates for two seasons of supply with the Co-operative societies. It was also felt that in the absence of marketing unions, the Department of Agriculture might enter into a contract with the Army authorities on behalf of the growers. It was further suggested that flat rates might be fixed for vegetables required in summer and winter separately by mutual consultation between the Collector and Consumer of the local formation. In these discussions it was suggested that the rates should be negotiated.

2.140. The witness added that in December 1963 itself the tenders were first floated but the particular rates quoted were considered rather high. Then negotiations were started with the co-operatives and separate tenders were floated simultaneously. In the second tender the merchants who knew that negotiations were going on with the Co-operatives did under-cut. The Committee enquired whether in order to develop Co-operative system, it was a deliberate decision to pay a higher price to co-operative societies. The witness stated that it was a deliberate decision that in order to develop a Co-operative system of supply which would ensure reliable supply to the Army at reasonable rates over a period of time, to give rates

in any particular year which might not been related to the rates of open market tenders notwithstanding that the rates they would have to pay, were higher.

2.141. In reply to a question, the witness stated that they had requested the various State Governments particularly Assam and Bengal State Governments to organise Co-operative Societies as in the Border States of Assam and Bengal they had been experiencing difficulty during the last three years in obtaining fresh supplies of vegetables, meat, eggs etc. This was the first case, he added where Co-operative societies had been organised on a large scale and at their instance Ministry of Agriculture had requested the State Governments, for organising in other areas.

2.142. On being asked whether it was a genuine society of growers, the witness stated that before they gave the contract this year, the co-operative society had been certified by the West Bengal Government as a genuine society of growers and added that after getting this certificate, they had given the contract.

2.143. The Committee enquired whether in the year 1964 they had this certificate. The witness stated that the contract was entered into with the West Bengal Apex Co-operative Agricultural Markeing Society sponsored by the West Bengal Government. They had no information in 1964, when this contract was concluded, who exactly were the members of this West Bengal Apex Co-operative Agricultural Marketing Society. They took it as a society sponsored by the Government of West Bengal. He added that subsequently, when they made enquiries, they got a formal certificate that it consisted of growers only. He further stated that in the later discussions it came to notice that "this society was not a society entirely of growers, and we imposed a condition at that time that it should be a society of growers".

2.144. In reply to a question, the witness stated that according to the policy decision of 6th January, 1964, the agreements would be entered into with the State Governments through the Agriculture Department or genuine Co-operative vegetable growers' societies, on A.S.C. regular contract forms and not through middle men and the schedule of supplies might vary with the local conditions.

2.145. The Committee pointed out that even in 1964, before they entered into the first contract with the society in March, 1964, 'the policy decision was that they would enter into contract with genuine growers' Co-operative societies. But this was not a genuine Co-operative society of growers. The witness stated that there was no reason to doubt at that time that it was not a genuine growers' co-operative society. In reply to a question, the witness added that when a State sponsored a society with

the title 'West Bengal Apex Co-operative Agricultural Marketing Society Ltd'. the officers who dealt with this could not have reasons to suspect. In subsequent years they came to know that this particular society was not strictly a growers' society in terms of their decisions. He added that now they had got a growers' society functioning as certified by the Government of West Bengal. He urged that over a period of time the policy of Government had borne fruit in the sense that the growers' society had come into existence.

2.146. In reply to another question, the witness stated that over a period of years, Government had succeeded in establishing and developing a co-operative society of growers of vegetables in this area and got supplies from them. Whether in 1964 the object of the Government was literally fulfilled or not, over a period of years they had succeeded in achieving the object. The witness added in this connection that "agricultural primary marketing societies are by definition societies of growers and producers, not middlemen" and in a number of States that was the pattern.

2.147. The Committee pointed out that Government issued sanction on 31st March, 1964 authorising conclusion of a negotiated contract with a co-operative society sponsored by the State Government. Accordingly rates for supplies to be made during 1964-65 were negotiated with the society by a board of officers and the contract was concluded on 31st March, 1964, on the very same day. The Committee asked whether the officers by that time knew of the antecedents of this co-operative society as the sanction was issued on the same day. The witness replied that the request for sanction came from their junior officers. Negotiations were carried on much earlier than 31st March, 1964. After discussions and negotiations proposals were put up to Government who gave authorisation on 31st March, 1964 to enter into contract with the society.

2.148. On being asked whether the price difference between the negotiated rate and the lower tender rate was brought to their notice, the witness replied in the affirmative and read out the following relevant portion of letter of 31st March, 1964:—

> "Comparison is not possible....difference between negotiated and additional call rate Rs. 14 lakhs."

The attention of the witness was invited to financial rule No. 7 which was as under:—

> "Preference may be given to cottage industries products over those of small scale industries, all other things being equal, namely price and delivery; in regard to other co-operative societies, other things being equal, co-operatives may be encouraged, but no price preference should be given in such cases."

The witness stated that Government framed the rules and Government could give preference outside those rules. Government was competent to do that provided Government considered it appropriate to do so.

2.149. In reply to a question, the witness stated that in 1963 contract the Financial Adviser did not object. In reply to another question the witness stated that the policy decision with regard to price preference to the co-operative society was the one taken specifically in 1966. In 1964, this question did not arise because the contractor had not quoted for all the items and had not expressed their willingness.

2.150. The Committee enquired whether the quotations of the contractor and of the society were comparable or not. The witness stated that the quotations were comparable and they were also not exactly comparable. In one quotation, there might be 100 items for supply at 50 places; in another quotation there might be 105 items for supply at 80 places. The two quotation were not strictly comparable but added that certainly they got an idea of the rates. The Committee drew the attention of the witness to their letter No. A/32456/R/ST6/QIB, dated 23rd February, 1966 addressed to Headquarter, Southern, Eastern, Western and Central Command and copy endorsed to CDA Patna, etc. In para 4(c) it was mentioned that "contract will be sanctioned in favour of State Governments; or state sponsored co-operative societies provided the CFA is satisfied that the rates are reasonable and competitive" The witness stated that that was correct. This letter was deliberately issued in 1966. In negotiating the prices with the co-operative societies, they did take the precaution that the rates were reasonable and comparative. But he added that if in one particular year an individual was prepared to offer a very low rate to ruin the whole co-operative organisation so that in subsequent years it would not be possible for them to maintain that system, they should not go in for that low tender for that particular year only taking the word 'competitive'. Asked whether this principle was inherent in their decision which was taken in 1963, the witness stated that it was always so in their dealings with co-operatives. They were not prepared to pay any price to the co-operative societies. In reply to a question, the Committee were informed that the Apex Society had got 97 primary marketing societies organised in different parts of the States and the State Government had contributed about Rs. 12·50 lakhs to the capital.

2.151. The Committee pointed out that even after their letter dated 23rd February, 1966, the contract for the year 1966-67 was given to this society and according to the Audit the price difference was Rs. 13·14 lakhs. The witness stated that they did not consider that there had been any price preferential. They considered the price as a reasonable and competitive one. He admitted that the price was Rs. 13 lakhs more than what was

quoted, but added that they did not consider on the basis of data that particular quotation given by the contractor as a genuine one.

2.152. In reply to a question, the Defence Secretary informed the Committee that in 1964 when that particular contract was issued, the society was stated to be a society of growers by and large, but there was a prospect of purchasers from other areas also being given membership. The witness stated that the Ministry being not happy about it insisted on the West Bengal Government that it should be entirely a growers' society without that the Ministry stated that it would not continue the arrangements. The witness thought that in view of that insistance the West Bengal Government might have modified the position of the Society and given the certificate. He added that the Central Government was satisfied with the certificate given by the State Government.

2.153. The witness further stated that the whole argument about the case arose from the articles of association of the Society, wherein it had been stated that the membership of the society was open to (a) registered co-operative societies doing or intending to do marketing business in respect of agricultural commodities, and; (b) individual traders, commission agents, merchants etc. suitable for having business dealings with the society. The witness added that because of that particular provision the Ministry were not prepared to continue the arrangement.

2.154. The Committee feel that while entering into agreement for the supply of fresh vegetables and fruits with this co-operative society in March, 1964, the Ministry of Defence should have satisfied themselves that it was a society of genuine vegetables and fruit growers. The fact that this "society was a grower's society by and large" which came to the notice of the anthoritities in 1964 should have cantioned the Defence authorities and immediate action should have been taken to ensure that a contract was entered into with a genuine growers' co-operative society only.

2.155. The Committee also feel that while entering into contract with the co-operative societies is such cases the provisions of the Financial Rules that no price preference should be given in such cases, should have been kept in view. They regret to note that this was not done while entering into this agreement.

2.156. The Committee also desire that the Ministry of Defence should devise some ways and means to satisfy themselves that the rates paid by them to these co-operative societies for the supply of fresh vegetables and fruits are not excessive and that they compare favourably with the prevailing market rates. Payment of esxcessive rate to the cooperative societies would result in taking away the initiative on the part of the societies in managing their affairs economically and would create a sense of complacency which is not healthy.

Sanction of works under the Emergency Works Procedure Para 31, pages 18-19.

2.157. Under the Emergency Works Procedure introduced in November, 1962 for executing works connected with the emergency, enhanced powers for sanctioning works have been delegated to the Service Chiefs and lower authorities. It had, however, been envisaged that only works of vital importance to the effective functioning of the Armed Forces should be undertaken under this procedure. It has been noticed that in some cases works meant to provide amenities to Service personnel in 'Peace' stations have also been ordered to be executed under this procedure. A few instances are cited below:—

(a) Construction of 4 Swimming Pools at three stations at a total estimated cost of Rs. 10·02 lakhs sanctioned in September, 1963, January, 1964, February, 1965 and April, 1965. In the first two cases the work was completed in November, 1964 and October, 1964 respectively.

(b) Construction of a Cinema-*cum*-lecture hall and an institute for officers at a station at an estimated cost of Rs. 2·93 lakhs sanctioned in December, 1962 and September, 1963 respectively. The former work was completed in January, 1965.

(c) Construction of an M.F.S. Inspection Bungalow sanctioned at an estimated cost of Rs. 2·11 lakhs in July, 1964, though there was already an Inspection Bungalow at the station.

(d) Construction of 4 Single V.I.P. Quarters sanctioned in September, 1964 at an estimated cost of Rs. 77,000 approximately.

2.158. The Committee enquired whether the Ministry had reviewed the postition and whether they had ensured that works which bordered more on the side of amenities and were of a nature of special items should not be sanctioned and executed without obtaining the sanction of Government. The witness stated that he agreed with the question and they intended to do like that. He added, however, that according to their views a swimming pool was not an amenity in this case. The swimming pool which was constructed at Gwalior at the cost of Rs. 1.11,000 was required to cater to the requirements of two training centres, the ASC Centre and the J&K Regimental Centre where the strength increased from 3710 to 9667 trainees. The Committee enquired whether in this case the procedure followed, namely creating these amenities under the emergency powers was proper. The witness stated that the term 'amenities' here was misconceived. A particular item which served the training purpose was not an amenity. All these items, except the inspection bungalow, were not amenities. They were really necessary for training purposes.

2.159. With regard to VIP's quarters, the witness stated that they were single officer's quarters of the rank of Captain and Major. He regretted that this was not pointed out earlier to Audit.

2.160. As regards cinema-*cum* lecture hall, the witness stated that it was a lecture hall for a particular training centre. It contained a stage and a screen costing Rs. 10,000. It was primarily a lecture hall.

2.161. The Committee understand from Audit that there is a difference of opinion between the Ministry of Defence and the Financial Adviser, Defence Services, over the term "works of vital importance to the effective functioning of the Armed Forces". The Financial Adviser had commented (c.f. para 25 on pages 23-24 of the Appropriation Accounts (Defence Services) 1963-64), that one of the defects noticed in the working of the Emergency Works procedure was that sanctions were accorded by lower authorities for items like air conditioning, swimming pools etc. The observations were repeated by him in 1964-65 Accounts also (c.f. para 27(ii) on page 27 of the Appopriation Accounts).

2.162. It was also stated in evidence that except the inspection bungalow, all other items were not amenities. They were really necessary for training purposes.

2.163. In view of the difference of opinion between the Ministry of Defence and the Financial Adviser, Defence Services, regarding "works of vital importance to the effective functioning of the armed forces", the Committee desire that the Ministry of Defence should examine the question and issue necessary clarificatory orders after consulting the Financial Adviser. They also desire that the Ministry of Defence may conduct a review whether in the light of the present conditions the scope of the exercise of the enhanced delegations of powers under the Emergency works Procedure could be restricted to operational areas and to certain specified nature of works in other areas. It should also be ensured in future that works which border more on the side of amenities and are of a nature of special items are not executed without obtaining the sanction of Government according to the normal procedure laid down.

2.164. The Committee further suggest that with regard to draft Audit paras, complete and correct information should be given to Audit in time so as to avoid controversies in regard to the factual position at a later stage.

Avoidable expenditure, para 35, *page* 20.

2.165. In September, 1964, while the work in connection with accommodation for an Army workshop was in progress, the site was changed because of certain drawbacks pointed out by the Cantonment

Planning team in the existing site chosen in July, 1963. An expenditure of Rs. 2·56 lakhs already incurred on site clearance and building work did not, therefore, serve any purpose and could have been largely avoided had the project been planned initially with greater care.

2.166. The Committee desired to know whether the site on which the Department had incurred an expenditure of Rs. 2·56 lakhs could not be used for any other purpose. The representative of the Ministry stated that that site was proposed to be used for constructing a military hospital. So far as the earlier decision to locate it at that site was concerned, though two or three sites were given, there was nothing on record to show why this site was selected.

2.167. He added that there was a meeting in the QMG's room where it was decided that this site was not acceptable and another site was selected.

2.168. The Committee enquired the reasons why this site was selected first and then changed later. The witness stated that no reasons were recorded for the first decision. On being asked if no reason in writing was given in the records, why no explanation was taken from the officers whose names were given in the minutes, the witness replied that the officers had retired and they could not asked for their explanation.

2.169. The Committee desired that a detailed note on this para might be furnished stating *inter-alia*.

(i) how the site for the construction of an Army Workshop was first selected;

(ii) why was it abandoned;

(iii) why could not the site be used for any other purpose;

(iv) were there any criteria laid down for the selection of sites for Army Workshops; if so what were they; and

(v) whether those criteria were followed in the above case?

The note has been received and it at Appendix IV

2.170. From the note, the Committee find that the Cantonment Planning Team which was given the task for drawing up a Master Plan for Delhi Cantonment did not favour the site selected by the EME. The Committee regret that EME failed to visualise the reasons for unsuitability of the site as pointed out by the Cantonment Planning Team later on, namely, the site "would come in the middle of domestic neighbourhood for officers and as such would prove a source of danger particularly to children; that there were no roads nearby where testing could be done and that the site was situated on the skyline of the Delhi Ridge, and being in

close proximity to the Delhi University Campus, the workshop area consisting of tin-roof sheds and single storey construction would stand as an ugly anachronism for all time to come."

2.171. They are sorry to note that due to bad planning the Govt. had to incur an expenditure of Rs. 2·56 lakhs on the site clearance and building work.

2.172. The Committee would also like to stress in this connection that suitable instructions should be issued to all concerned to keep written records of all important discussions, decisions and meetings in a proper manner so that the progress of the entire case can be properly charted out, if and when required.

Loss of pickles costing Rs. 56,200 *found unfit for human consumption—para* 42-*Appendix I—Item* (*ii*), *pp.* 30-31:

2.173. In November, 1962, an indent was placed by the Army Headquarters on the Army Purchase Organisation in the Ministry of Food and Agriculture for the supply of 95·120 tonnes of pickles. A contract was accordingly concluded on 26th November, 1962, by the Purchase Organisation for 'pickles mixed' on the basis of "tender samples," only without indicating any warranty period, though the normal warranty period for the stores is eighteen months. The Defence indentor, to whom a copy of the contract was endorsed, did not also point out this omission to include a warranty clause. 28·9 tonnes of these pickles, costing Rs. 56,200 were later found unfit for human consumption—14·7 tonnes in June-July, 1963 and 14·2 tonnes in January-February, 1964. In the absence of any warranty clause in the contract, the suppliers could not be asked to make good the loss

2.174. The Committee enquired how a purchase according to tender sample could obviate the necessity for a warranty which was intended to guarantee that the supplies should conform to the sample and be fit for consumption for a specified period. The Addl. Secy. Defence stated that efforts were made to secure pickles of the ASC specifications and it was found that they were not available. Nobody was prepared to quote and meet the ASC specifications. Therefore, a meeting was held in the Office of Chief Director of Purshase, Ministry of Food and Agriculture to consider how best to procure these urgent supplies and it was decided that supplies should be obtained on the basis of tender samples and without insisting on a warranty

2.175. On being asked what efforts were made to secure a warranty, the witness replied that at the time when the decision was taken, it was not clarified why the warranty was not asked for.

2.176. In reply to a question, the witness stated that there was a certain period mentioned for these pickles. The indenting authorities knew that these pickles would not last beyond that period. But before they could be utilised, they had deteriorated and those pickles could not be used during that period. He added that "this is a case where probably because of Government rules and regulations, they went bad although they could have been consumed." The pickles could only be issued to troops in high attitude areas. As the number of such troops came down, the pickles remained unutilised.

2.177. The Committee drew the attention of the witness to the Ministry of Finance instructions to all the Ministries that "in the case of contracts for perishable stores, it must be ensured that a separate warranty clause is invariably provided". The witness stated that he could not say why this warranty was not specifically asked for. He added that they were examining whether powers could be given to local authorities to dispose of the stuff as well as to issue such perishable items to non-entitled persons instead of allowing them to rot.

2.178. It was stated in evidence that in the meeting held in the office of the Chief Director of Purchase, Ministry of Food and Agriculture, it was decided that supplies should be obtained on the basis of tender samples and without insisting on a warranty.

2.179. The Committee are surprised to find that inspite of their recommendation made in para 49 of their Fifteenth Report (1954-55) and instructions issued by the Ministry of Finance to all the Ministries that in the case of contracts for perishable stores it must be ensured that a separate warrant clause is invariably provided, the Ministry of Defence did not include warranty clause in this contract. Nor were any efforts made to seek such a warranty clause when the decision was taken. They take a serious view of this lapse which has resulted in a loss of Rs. 56.200 to Government and desire that the responsibility for this omission should be fixed.

2.180. The Committee are surprised to learn from the Ministry that "this is a case where probably because of Government rules and regulations the pickles went bad although they could have been consumed." They hope that suitable procedural changes, including delegation of powers to local authorities, will be made to ensure that such contingencies do not recur.

Leasing out of a site for running a cinema—para 50*—pages* 26-27:

2.181. 2·40 acres of land in a Cantonment were leased out in 1918 to a private party for a period of 33 years for constructing a cinema hall. Originally, the rent was fixed at Rs. 1,800 per annum for the first five

years and Rs. 3,000 per annum thereafter, but on a request made by the lessor in 1924, the annual rent continued to be charged at Rs. 1,800 for the entire period of the lease. The lease expired on 31 March, 1951 and in December, 1951 the lessee was told by the military authorities that the lease could be renewed on payment of the market rent assessed at Rs. 2,880 per annum and a premium of Rs. 57,600 in accordance with the orders issued by Government in 1947. The lessee, however, intimated in March, 1952 that he was willing to renew the lease only at the old rate of Rs. 1,800 per annum without payment of any premium and in the alternative he was willing to surrender the site on payment of compensation for the assets created by him. The amount due for recovery from the lessee for the period from 1 April, 1951 to 30 June, 1965 on the basis of the orders issued by Government in 1947 is Rs. 98,640. Even under the old terms, an amount of Rs. 25,650 is due for recovery from the lessee for this period.

2.182. The Ministry intimated to Audit in January, 1966 that on the basis of the advice given by the Law Ministry, the Government have decided to renew the lease for a period of 16 years from 31 March, 1961 to 30 March, 1967 on the same terms as the expired lease, but without incorporating any provision for renewal.

2.183. The Committee desired to know the action taken to finalise the question of renewal of lease which expired in March, 1951. The witness stated that as a result of Law Ministry's advice, they had now renewed the lease upto 31st March, 1967, on the old terms and the parties had also paid the arrears of rent. In the renewal of the lease, the Law Ministry had advised that they could incorporate a provision that further renewal could only be on such terms and conditions as would be determined by Government at that time.

2.184. With regard to the delay in the renewal of the lease, the witness stated that the original party died and his three sons had to take *Birasat*. They had now taken the *Birasat*. The sanction for the further continuance of the lease had been issued and shortly the lease would be executed.

2.185. In reply to a question, the witness stated that in case the party did not agree to their new terms in 1967, they would have to compensate the party for the assets and other things which he had created. Government merely leased the plot of land.

2.186. Asked whether necessary action to renew the lease after March, 1967 had been taken, the witness stated that the decision to renew the lease upto March, 1967 had been taken recently. He added that they would pursue the question whether to continue the lease further or not.

2.187. The Committee pointed out that when the lessee did not renew the lease, he was allowed to operate on the premises. The day when the lease expired the possession became illegal. If the lessee did not come forward for renewal, the lessor should have reminded him. But the matter was allowed to drift. The witness stated that an exactly similar question had been the subject matter of litigation in courts. It was linked with a general question about the tenure of military lands when in 1957 Government took a decision, which had been under review for the conversion of old grant lease hold rights into freehold. The Secretary, Ministry of Defence, added that there was a Committee consisting of some Members of Parliament which recommended that all these leases should be converted into freehold but Government had not accepted that decision. Two months ago the Defence Minister had invited all the Vice-Presidents of selected Cantonment Boards. He had discussion on the matter. This matter was going to be discussed in the Informal Consultative Committee of Parliament and a final view would be taken

2.188. I reply to a question the witness stated that a decision bad been taken that wherever possible all Cinema leases should be terminated. It was in pursuance of that decision that they tried to evict the three Cinema owners in Delhi. They would review how many Cinema leases were required to be terminated.

2.189. The Committee are unhappy to note the way in which this case of renewal of the lease had been pending for years together. They are surprised to find that the lease which expired on 31st March, 1951, could not be renewed till recently in 1966, on various grounds and no agreement could be reached between the Govt. and the party. Failure on the part of the Govt. to enforce effectively their conditions, not only brought loss to the Exchequer as the lease has now been renewed on the old terms and not on the payment of the market rent but also allowed the party to occupy the premises without signing any lease for 15 years. They feel that had the Ministry of Defence been alert snch a situation would not have arisen.

2.190. The Committee further learn in evidence that the question whether to renew the lease after March, 1967 is yet to be decided. They regret that even with the past experience, the Ministry have so far failed to take a final decision in the matter which has already been delayed. This is again likely to complicate the matters further. It is unfortunate that enough care is also not taken in the Ministry to ensure that the lease deeds are free from lacunae and that their provisions are enforceable. The Committee would like to be informed of the final decision taken in regard to the renewal of the lease.

III

AIR FORCE

Irregular purchase of stores—para 16, *Pages* 9-10:

In June, 1962, the Air Headquarters placed an emergent indent on the Air Adviser, London, for the supply of one each of 4 items of stores of a proprietary nature. The cost of the four items was estimated at £4 (Rs. 53). One of the items had actually been purchased earlier in 1957 at a cost of Rs. 23,500 approximately.

3.2. On an enquiry made by the Air Adviser from the manufacturers, it was pointed out in July, 1962 that the indent covered 7 items, the total cost of which was 12,943,895 lire (Rs. 98,595). Despite the fact that the actual cost of items exceeded the financial powers of the Air Adviser (Rs. 10,000) and bore no relation to the estimated cost of £4 indicated in the indent, the Air Adviser placed a purchase order on the firm on 27 July, 1962 for all the 7 items at the price quoted by them and sent simultaneously a copy of this order to the Air Headquarters. After 3½ months, the Air Headquarters asked the Air Adviser on 13 November, 1962 to cancel the order, as it was found that the stores indented were already in stock, but had not been indentified earlier. The matter was taken up by the Air Adviser with the firm who refused to accept the cancellation of two major items costing 12,031,600 lire (Rs. 91,630). These two items were finally accepted and shipped to India in December, 1963.

3.3. The Air Adviser has explained that the error in placing the order in excess of his financial power was due to "unfamiliarity with Italian currency", because of which he thought that the total cost of the item was 12,943.895 lire (equivalent to Rs. 98.60 only). Government, while regularising the purchase by an *ex-post-facto* sanction, in February, 1965 had asked the Air Adviser to enquire fully into this purchase deal.

3.4. The Ministry have intimated in December, 1965 that the Court of Inquiry convened in this connection did not hold anybody responsible.

3.5. During evidence the Defence Secretary stating that the facts mentioned in the audit paragraph were broadly correct disclosed that the demand for the items out of which one had been purchased earlier for Rs. 23,500, actually arose from a unit, from where it came to the Wing and then to the Equipment Depot and the Air Headquarters. In the process of transmission, number of one of the items got changed. Instead of 5001 it was given as 5008 which created all subsequent confusions. The Air Hqrs., the witness added could not possibly detect the mistake as every

year they dealt with thousands of items of spares. The witness considered that the present arrangements were enough to keep such mistakes at the minimum and, in his opinion; to have additional checks and counter-checks to prevent similar defaults would not be commensurate with the result achieved.

3.6. Explaining the causes which led to the mistake, the witness stated that the indenting unit had given in its first indent the correct number of the stores, but in one of the two reminders it gave a wrong number. It was from this point onwards that the wrong number went on to be quoted in all subsequent correspondence. The witness added, as the number did not exist in the catalogue and there was no provision for that store, the Air Headquarters asked the Unit to check and furnish correct number of the part and description of the item, actually required. In response to a query the unit confirmed that the part number required by it was 5008.

3.7. The Committee were informed that the item of store was thought to be some trivial spare and that the item was not in the catalogue. The Air Headquarters referred it to the Air Adviser, London, and asked him to contact the manufacturers. The manufacturers after pointing out that of the original item one was sub-divided into three, gave quotations. The cost quoted was quite out of proportion to the cost indicated by the indentors from India. The Adviser however, did not realise that the cost was too much. The witness added that secondly, the cost quoted was beyond the authorisation of the Adviser. But not withstanding both the things an order for the supply was placed by the Air Adviser in July, 1962 for 7 items at a total cost of 12,943,895 lire (Rs. 98,595).

3.8. In regard to exceeding of financial powers the witness stated that an explanation that they used to place orders notwithstanding the fact that their financial powers should not exceed had been given. The witness added that the explanation had not been accepted.

3.9. The witness was then asked whether that was the latest explanation, as earlier it had been explained that the error in placing the order in excess of financial power was due to 'unfamiliarity with Italian currency'. He replied that that explanation too had not been accepted. He also thought that there was no deliberate false explanation or a motive like that.

3.10. The Defence Secretary stated that the Court of enquiry held in the case was of the view that no one was responsible for the mistake. Their findings were however, not accepted and it was decided to go into the matter again. The Chief of Air Staff who examined the case a second time administered 'severe displeasure' for a period of one year to each of the two officers involved in the matter.

3.11. The witness also informed the Committee that when in November, 1962 the mistake came to notice it was thought that the equipment would not be used, but in November, 1965 the equipment had been utilised. The Committee then asked how it was that the enquiry Committee absolved everyone from every charge. The witness stated that the enquiry Committees were constituted in a routine way but when the persons affected by the court of inquiry were of senior and higher status, the position of the court of enquiry became very very embarrassing. When further asked whether there was any procedural lacuna, the witness replied that it was not so and added that there was a 'certain fault in following the procedure'. The procedure did prescribe that the person appointed to the court of enquiry must be senior to the persons involved. He added that another difficulty was that at the beginning a clear conception of persons might not be available. The only remedy in his opinion was that a greater care should be taken in appointing the court of enquiry.

3.12. **The Committee feel that it is most unfortunate that such a mistake (wrong number of the part) occurred which cost the exchequer Rs. 91,630. They are also constrained to note that the Air Adviser, London failed to detect the mistake when the cost quoted by the manufacturer was out of proportion to the cost indicated by the indentors in India, and he exceeded his financial powers without justification.**

3.13. **The Committee also desire that greater care should be taken in appointing the Court of Enquiries so that they function without any inhibitions and fear or favour and cases of failure to follow the existing instructions in the matter of constitution of Courts of Enquiry should be viewed seriously.**

Delay in the execution of a project—Para 28, *page* 17:

3.14. On the basis of the recommendations of a Sitting Board made on 1 March, 1958, sanction was accorded by Government in March, 1961 for the provision of domestic, technical and administrative accommodation at an Air Force Station at an estimated cost of Rs. 82 lakhs. Due to the delay in the acquisition of land required for the project, the work was actually taken up for execution only in February, 1963.

3.15. Construction of 84 married quarters (4 for officers and 80 for airmen) was completed in July, 1964 at a cost of Rs. 8·02 lakhs. A contract for the provision of sewage disposal was, however, concluded only in February, 1965 and the work is yet to be completed (November, 1965). These quarters have not, therefore, been put to any use till now. In the meantime Government have incurred an extra expenditure of Rs. 24,700 by way of compensation in lieu of quarters and conveyance charges to service personnel, and also suffered a loss of revenue to the extent of Rs. 2,300 till August, 1965.

3.16. Admitting the facts brought out in the audit para, the representative of the Ministry stated during evidence that the septic tanks were completed in July, 1964 and that the buildings, except four (4) which were occupied in March, 1966, were occupied between July, 1965 and September, 1965.

3.17. As in most cases the quarters had been lying vacant for more than one year, the Committee enquired if any responsibility had been fixed for that. The witness replied that in this case various people were involved and responsibility could therefore, not be determined. He added that the first sanction was for a central sewage but no tenders were received for that within the prescribed period. Later on when it was known that water table was low enough to enable individual septic tanks to operate it was decided to have independent soakage pits for all the buildings.

3.18. The witness disclosed further that the scheme fetched a saving worth Rs. 1·5 lakhs, as it was completed with Rs. 2·52 lakhs, when the sanctioned amount was Rs. 4·02 lakhs.

3.19. In regard to the acquisition of land the Defence Secretary stated that the action was initiated on 8th July, 1961. Part of the land was taken over under the emergency procedure, and the land required for the building was taken over after formal acquisition was completed in November, 1962 and January, 1963. In reply to a question, the witness stated that the provision of sewage disposal could not synchronise with the date of completion of the quarters, as the tender quotations received for the purpose were very high and consequently the whole plan had to be changed.

3.20. When the witness was referred to the earlier observation of the Committee in their 25th Report (2nd Lok Sabha) regarding the need for taking up the work in external services simultaneously with the construction of buildings as was done by a private builder, he stated that it was not a question of simultaneous taking up, rather it should be taken up well in advance to avoid similar occurrences. He added that the Ministry hoped to issue some instructions on those lines.

3.21. The Committee hope that suitable instructions would be issued to all concerned to take up the construction of the external services (like sewage etc.) simultaneously with the construction of the buildings; so that by the time the buildings are ready for occupation, external services are also provided. The Committee would also like to be apprised of the instructions issued in this regard.

Injudicious planning of a work—Para 29, *page* 18:

3.22. A project for the domestic and technical accommodation for an Air Wing Headquarters was sanctioned in March, 1961 for Rs. 58·48

lakhs, subsequently revised to Rs. 62:24 lakhs in December, 1962 due to change in the scope of the work. Construction of residential accommodation for 170 airmen was commenced in March, 1962 and completed on 15 January, 1964 at a cost of Rs. 13:80 lakhs. These buildings could not, however, be put to use immediately as the necessary central sewage facilities had not been provided. The work in this connection was put to tender thrice between June, 1963 and December, 1963 and a contract was finally concluded only in March, 1964. The work had not been completed till January, 1966.

3.23. Pending provision of central sewage facilities, construction of a temporary sewage scheme was undertaken in September, 1964 and completed in December, 1964 at a cost of Rs. 55,000. The residential quarters were thereafter allotted between January, 1965 and April, 1965. Due to the delay in the execution of central sewage scheme Government had to incur, in addition to Rs. 55,000 an expenditure of Rs. 11,000 on watch and ward of the vacant quarters and an estimated amount of Rs. 42,000 paid to the service personnel by way of compensation in lieu of quarters inclusive of conveyance allowance of about Rs. 7,000.

3.24. The Committee were informed during evidence that all the quarters had since been occupied. For the occupation of quarters certain special evpenditure was incurred to provide sewage facilities and the pumps. It was added that 13 pumps had been installed and would be commissioned if found satisfactory after the tests.

3.25. In reply to a question it was stated that while central scheme was always satisfactory, still where the water table was not high individual septic tanks should be provided because of economy.

3.26. The Committee would like to draw attention to para 321 of this Report and hope that such cases would not recur.

Avoidable payment of compensation—Para 40, *Pages* 22-23:

3.27. A State Government started construction of an R.C.C. reservoir near the site of an airfield in November, 1953. In April, 1955 when the work had reached an advanced stage, the Military Engineer Services authorities approached the State Government to stop the construction as the reservoir was likely to be a risk to the safety of the aircraft in flight. The work was stopped immediately and abondoned in June, 1958. Government sanctioned a compensation of Rs. 96,288 to the State Government in June, 1965, against their claim of Rs. 1·01 lakhs made in June, 1962 for the loss incurred on the construction of the reservoir.

3.28. The liability to pay this compensation arose because Government failed to issue timely declaration imposing restriction on the construction of

buildings and other structures near the vicinity of the airfield. The Ministry have stated in October, 1965 that a declaration could not have been issued in the case of this particular airfield alone but that such a declaration would have to be issued for all the Air Force airfields and installations involving payment of compensation to the owners of the lands for the interference in their enjoyment of the property.

3.29. The compensation in the present case had to be paid on account of the cost of construction and of subsequent dismantlement of a water reservoir and not because any question arose of interference in the State Government's enjoyment of the land. Payment of such compensation in this particular case cauld have been avoided by timely issue of a declaration under Section 3 of Indian Works of Defence Act, 1903.

3.30. The Defence Secretary at the time of evidence in reply to a question, why the enabling provisions of 1903 Act were not invoked in respect of air fields to avoid claims for compensation, stated that if it had been done the Govt. would have to pay compensation to the owner of the land for restricting him from the better enjoyment of his land. Moreover, a general notification, the witness stated, would impose a great burden on both the authorities and the users of land. Also it would not be proper use of powers.

3.31. The witness added that the action could only be taken when it was known that something was going on near the installations. In regard to the case mentioned in the Audit Report it was stated that the authorities noticed construction of the reservoir near the airfield only after it had risen above the level of obstruction.

3.32. The Committee were also informed that a request had since been made to the State Governments that whenever construction works were to be undertaken in the vincinity of an airforce installation or airfield, notice thereof should be given to the Station Commander. Similarly, the witness added, that the Station Commanders had been asked to watch and take prompt action as and when any construction was noticed. In reply to a question it was stated that there was no instruction at present, for the watching of vicinity and inspecting every inch of the perimeter of 2000 yards of an airfield. If the Aerodrome officer was asked to do that it would be too big a task for him.

3.33. The Committee are unable to comprehend that the construction of the reservoir taken up in November, 1953, could not be noticed by the Airforce authorities till April 1955 when it reached an advanced stage. They hope that with a little more liaison with the State Government chances of such construction coming up near the airforce installations in the future would be eliminated.

3.34. *Avoidable expenditure on compensation of land—Para* 41, *Page* 23: Out of an area of 2,337.46 acres of land requisitioned during 1942 to 1945 for the construction of an airfield in a station, an area of 373.97 acres is still held under requisition, on payment of an annual compensation of Rs. 13,172. Out of this, an area of 160.35 acres which is under runways and taxi-tracks was decided to be acquired as far back as 1954. As regards the remaining area of 213.62 acres, on which certain defence assets had been created, it was decided in 1957 to transfer it to the State Government; the State Government was, however, not interested in the transfer.

3.36. No action has so far been taken to acquire the area of 160.35 acres, the cost of restoration of which to its original condition was estimated in 1962 at Rs. 16.25 lakhs while the estimated cost of acquisition was less than Rs. 25,000. A final decision regarding derequisition or acquisition of the area of 213.62 acres has also not been taken. In the meantime, Government have incurred a liability for payment of Rs. 1.07 lakhs as compensation upto March, 1965 for continuing to keep these two areas of land under requisition from 1954 and 1957, respectively.

3.37. The representative of the Ministry during evidence explaining the reasons for the delay in the acquisition of a portion of a land stated that the airfield was formerly in a princely state, which was subsequently merged in Orissa. According to a decision for abandoning the airfield, the areas covered by hard standings were to be acquired and rest of the areas were to be restored to their owners. Accordingly request was made to the local authorities. But due to some difficulty about the actual demarcation of the area it could not be done. In 1955, after survey the land under runways, hard standing, building etc., was determined. However in 1956 the Ministry of Rehabilitation indicated that they wanted to establish a refugee camp in the area, but that Ministry withdrew that proposal in 1957.

3.38. The winess stated that in 1957 the case in regard to the acquisition of land covered by hard standings, was again revived and the State authorities were requested to proceed in the matter. The State authorities, however, ran into certain procedural difficulties and between 1957 to 1961 they could take very little action. They were also not able to issue notices as some parties had died and others had left the village.

3.39. The Committee then enquired if some people had died or left the village to whom the rent was being paid by Government. The witness replied that the details were with the State Government, and so long as the State authorities were satisfied that they were paying to the right people the Ministry of Defence were not concerned. He added that collector made the payments in the treasury and raised debits against, Defence Authorities.

3.40. The Committee desired to be furnished with a statement giving the details of persons to whom compensation had been paid for the two areas of land, held under requisition, from 1954 and 1957 to March, 1965, and the steps taken by the Central Government to expedite derequisitioning of the land, measuring 213.62 acres, decision in regard to which was taken in 1957.

3.41. The Ministry have furnished the information.

3.42. In reply to a question the Committee were informed that the Directorate of Military Lands and Cantonments reviewed from time to time the position of property in possession of Ministry of Defence. The witness, however, added that due to certain reasons, it had not been possible to go into the matter thoroughly but the Ministry hoped to do something about it soon.

3.43. The Committee note therefrom that it has now been decided to retain the land measuring 160.35, acres covered by the run-way, taxi-track, hardstandings etc., and derequisition the area of 213.62 acres on payment of the terminal compensation due to the land owners concerned. The orders in regard to the above decision were issued on 7th October, 1966 and that the State Government were being pressed for acquisition of land.

3.44. The Committee are sorry that it had taken more than 12 years to implement a decision taken in September, 1954. The delay not only led to an unnecessary drain of the public money but it also caused considerable inconvenience to the owners of the property. They would like the authorities to devise suitable measures to avoid such delays in future.

Non-utilization of two light aircraft manufactured in an Air Force Depot:—
Para 42, *Appendix I—item* (1), *Page* 30:

3.45. A light aircraft was developed and produced in an Air Force Repair Depot in February, 1959 at a cost of Rs. 48.245. In August, 1960 Government accorded *ex-post facto* sanction for its manufacture and also sanctioned the manufacture of a second aircraft of this type which was completed in February, 1963. The actual expenditure incurred on the manufacture of the two aircraft was Rs. 90,675. The aircraft were not put to any use. In October, 1965 Government declared them surplus to Air Force requirements and ordered their disposal. The Ministry have intimated in January, 1966 that a Government owned Company was also developing a proto-type of a similar aircraft and as a result of the evaluation carried out on these prototypes, the one developed by the Government owned Company was chosen in 1962.

3.46. While on the one hand technical manpower has been utilised for duplication of work which was already being undertaken in a Government

owned Company, the Air Force authorities, on the other hand, have been advancing shortage of technical manpower as one of the main reasons for arrears in the repair work of aircraft and equipment at the Repair Depot.

3.47. Referring to the audit para and the explanation given by the Ministry to Audit, the Committee enquired how the Ministry justified duplication of the effort when shortage of technical manpower had resulted in accumulation of arrests in repair work of aircraft and equipment in the Air Force Manufacturing and repair depots and the development of aircraft was not the normal function of the Aircraft Repair Depot, the witness replied that it was a deliberate policy decision. While a Government owned company was developing a particular aircraft the Government decided for a parallel development of a similar aircraft in a Repair Depot. When the development was in an advanced stage trials were held and the aircraft of the Government owned company was selected and standardised.

3.48. The Committee enquired if it was a deliberate decision, why the sanction was not given in advance. The witness replied that, according to the records, the project was undertaken at the instance of Government and when the outlay of money was known a formal financial *ex-post-facto* sanction was given. The witness stated that a letter of 21st June, 1958 from the Air Headquarters indicated that they were informed by an Air Officer who had been instructed by the Defence Minister to produce a prototype aircraft.

3.49. The Committee then asked whether the documents of 1958 could be regarded as one constituting a sanction. The witness replied "I would not regard it as a sanction but as some evidence that the officer concerned had been given some authority by the Minister". The witness also added that what had been done in this case" was not inappropriate though not technically correct."

3.50. In reply to a question the Committee were informed that there were quite a number of cases where the Ministry of Defence had authorised action and given formal sanction later. The Committee desired to be furnished with details of such developmental projects for which *ex-post-facto* sanctions had been accorded.

3.51. Asked whether there was anything in the Rules that even the Ministers could not take such decisions as involved in this case, the Defence Secretary replied that except withregard to the very limited delegated function, no Minister including the Prime Minister, according to the rules, could authorise any expenditure from the Public funds without the concurrence of the Ministry of Finance. Where a concurrence was not given the matter had got to be decided in consultation with the Prime Minister

or, if necessary, Cabinet. Referring to the case under discussion, the witness stated that as there was an authorisation to spend, the Minister or the officer who authorised the expenditure, took the responsibility to get the concurrence of the Ministry of Finance or felt confident to get the same He added that there was nothing wrong in authorising the expenditure in advance.

3.52. When asked why both the aircraft were declared surplus, the Defence Secretary stated that both were tried but the plane developed by the Government owned company was declared as standard for the task in view. The two planes were surplus to the Government requirements. Some parts of those planes had been borrowed from the Flying-clubs and had since been returned. The rest of the parts the witness stated would be disposed of. The witness stated that he did not think that there would be any purchaser of the aircraft as such. The Committee were also informed that the net expenditure on these aircraft would be Rs. 78357 after deducting Rs. 12318 leaving the value of parts returned to the Flying Club.

3.53. The Committee regret to note that the development of light aircraft was taken up in an Air-force repair depot in February, 1959 when Government owned company was also developing the proto-type of a similar aircraft. This resulted in an avoidable expenditure of Rs. 78.357. The Committee feel that the main function of an Air-force repair depot should have been to attend to the repairs, as the manufacture of this light aircraft, was bound to aggravate the existing arrears in the repair work of aircrafts and equipment in the repair depot which is not desirable.

3.54. The Committee also find that the project was taken up in hand without any sanction and an ex-post-facto **sanction was accorded only in August, 1960. The Committee feel that a project like development of a light aircraft should have been sanctioned in advance. The Committee desire that suitable instructions should be issued regarding issuing of sanction in advance for such projects so that cases of this type do not recur. The Committee hope that the very healthy rule that no Government representative including a Minister should authorise any expenditure from the public funds without the concurrence of the Ministry of Finance will be invariably followed.**

IV

NAVY

Absence of control over production costs in Naval Dockyard—para 12, page 7:

In pursuance of the recommendation of the Public Accounts Committee as contained in para 63 of their 43rd Report (2nd Lok Sabha), Government sanctioned in July, 1963, the setting up of an estimating section with 88 men to ensure control over production costs in the Naval Dockyard. This section was expected by the Naval Headquarters to complete the preparation of the standard estimates of repair of defects in the various ships, within twelve months of the sanction of staff.

4.2. Only 44 persons out of the sanctioned 88 were posted to this section on different dates from August, 1963 to November, 1964. In March, 1965, a Planning, Production and Control Organisation was formed with a complement of 189 personnel, in lieu of the estimating section. The full complement of this organisation is yet to be posted.

4.3. An amount of Rs. 2·80 lakhs has been spent till August, 1965 on the pay and allowances of the existing personnel in the estimating section and the Planning, Production and Control Organisation. The objectives of pre-estimation of Defect Lists and Control over production costs have not yet been achieved (December, 1965).

4.4. The Ministry had intimated to the Audit in December, 1965, that a decision to defer the filling up of the posts sanctioned in July, 1963, for estimating section was taken on the recommendation of the National Productivity Council.

4.5. During evidence the Committee asked what were the actual recommendations of the Council. The representative of the Ministry replied that the Council recommended the running of the Dockyard on self-sufficient basis and suggested that four departments should be established for production control, industrial, engineering and standard cost system. As a result of those recommendations certain staff was sanctioned in March, 1965, and this was to include already sanctioned staff. The witness stated that it would not be correct to say that there was no system of estimating the cost etc. in the Naval Dockyard. Originally a decision had been taken that pre-estimates of costs should be prepared before a

work was taken in hand. Staff sanctioned for that purpose was found to be insufficient by the National Productivity Council, who recommended that to ensure complete control of all the stages of work estimating of costs should be done on a much bigger scale.

4.6. The witness added that the Council also recommended that with a view to bringing about a re-organisation of the dockyard in the most effective manner, there should be a factual revaluation of the dockyard's position in the Naval complex. To achieve that, the witness added, the Council recommended that (i) the dockyard should have refitting facilities as an operational dockyard; (ii) it should be organised as a functional production unit entirely self-sufficient and administratively accountable to Naval Headquarters; (iii) its management should be made administratively responsible for and have direct watch over all service functions which affect its ability to produce; and (iv) it should be able to use indigenously manufactured items of which it is difficult or impossible to get spares.

4.7. The Committee were informed that all the recommendations of the National Productivity Council had been accepted. Asked whether they were being implemented, the witness stated that all had not been implemented because requisite staff could not be had. He added that to the extent the staff had been in position, the recommendation have been implemented.

4.8. The Committee enquired if the recommendations of the Council covered control over job cards. The witness replied in the affirmative and added that the preparation of job cards was part of the process of the planning unit. The control staff went from shop to shop to ensure that there was no material bottleneck and that the work was done according to the time schedule.

4.9. In reply to a query, the witness stated that the job card—system was in existence earlier too, but it was a simple one, whereas at present separate job cards are prepared for various items of work which an engine overhaul would require. including the man-days required to complete a particular job. The repairs to be done were entered in a log book and on that basis programme of material and personnel needed was drawn up.

4.10. The Committee referred to para 63 of their 43rd Report (1961-62) on the subject and asked what action had been taken on their original recommendation made in the year 1952. The witness replied that action was initiated in 1962 and he could not say why no action was taken earlier.

4.11. The Committee desired to be furnished with a detailed note explaining the steps taken to implement the recommendation contained in para

63 of their 9th Report (First Lok Sabha) and reiterated in para 63 of their 43rd Report (Second Lok Sabha) and the reasons for the delay in its implementation.

4.12. The note has been furnished. It indicates *inter-alia* that since 1953, based on the recommendation of the Public Accounts Committee (Para 63-9th Report—1st Lok Sabha), pre-estimation of alterations and additions, items of jobs and preparation of estimates for payment works was introduced. A statistical section was formed in 1954 in the Naval Dockyard, Bombay for collecting and analysing cost of repairs—for at least 3 years as a basis and essential pre-requisite for the estimating of Defect List. The note further states that based on the library of costs prepared by statistical section, pre-estimation of re-fit of the INS, Rajput was taken up as an experiment in 1957-58. This was the first occasion when a realistic effort was made to estimate the monetary value of the refit work. This effort was basically an effort to assess the capability of the Dockyard to undertake the pre-estimation job. The experiment showed that an accurate fore-cast work was not possible and a considerable variations was unavoidable which could only lead to misleading conclusions. Realising this difficulty in a detailed pre-estimation of the repair work, the Government continued to approve non-preparation of pricing of Defect List. Even though Naval Dockyard put up a proposal for establishment of a full-fledged estimating section in December, 1959, its consideration was deferred. In 1962, Naval Headquarters again revived their proposal for setting up of estimation section in the Naval Dockyard, and it was only in July, 1963 that Government sanctioned a complement of 88 persons against which only 44 persons were recruited. It is further stated in the note that was based on the recommendation of the Committee of foreign experts of National Productivity Council, Naval Headquarters revised their staff requirements in 1964 and a complement of 213 persons was sanctioned by 29th June, 1965. Of these, 116 posts have so far been filled including those recruited against the previous sanction. The staff recruited in July, 1963 has been merged with the staff of the Planning and Estimation section of the present organisation. The tasks that this section has undertaken, from its very inception and on which it has been engaged, are:—

(a) pre-estimation of the work orders(including pre-estimation of alternations and additions and payment work);

(b) process planning of Defect List; and

(c) estimating of man hours for Dockyard, routine section of the Defect List.

4.13. The Committee regret to note that due attention was not paid to their recommendation made in 1953 (Para 63 of their 9th Report—1st Lok Sabha) and reiterated again in March, 1962 in para 63 of their 43rd Report—Second Lok Sabha. Even though the system of pre-estimation of alterations and additions, items of jobs and preparation of estimates of payment works was introduced in 1963, the same system was not introduced for works involving repair and re-fits. It is all the more dis-quieting to note that it was only after the Public Accounts Committee had reiterated their earlier observation vide para 63 of their 43rd Report in March, 1962 that a proposal for the Estimating Section in the Naval Dockyard was sanctioned in July, 1963. The Committee feel that a period of 10 years was too long for taking action on their recommendation made in 1953.

4.14. The Ministry have also indicated that the Planning and Estimating Section has achieved the following results :

(a) increased utilisation of dry-docks of Naval Dockyard and, decrease in the utilisation of commercial docks, resulting in an increase in the average number of dock-days in Naval dockyard; and decrease in the average number of dock-days in commercial dockyards;

(b) better control of opening and closing of work order;

(c) constant review of progress of work;

(d) feed back of information to the management for taking correct in action;

(e) better utilisation of central loading;

(f) beginning of compilation of statistics of actual man-hours versus estimated manhours, prepared at shop level, ship-wise by Centre; and

(g) Scheduling in respect of requisition of work for spare parts and 'difficult to get stores'.

4.15. The Committee feel that if the beginning in this direction had been made in 1953 as a result of their recommendation, all the above advantages which have accrued since 1963, could have been achieved much earlier. The Committee feel that with the setting up of this planning and estimating section, there will be better financial control over the various jobs of additions, alterations, repairs and re-fits, carried out in the dock-yard

4.16. The Committee referring to the amounts of Rs. 2.80 lakhs spent till August, 1965 on the pay and allowances of the existing personnel in the Estimating Section and the Planning, Production and Control Organisation and the expenditure of Rs. 2.34 crores incurred on repairs, refits without pre-estimates of ships during 1964-65 asked what work had been turned out by the personnel employed during that period. The witness replied that that staff was merged with the bigger staff created on the basis of recommendation of the National Productivity Council and added that the whole dockyard had been reorganised and the managerial staff had also been reorganised into various departments. Explaining the work done prior to the reorganisation and at present, the witness stated that previously whenever main engine of a ship came for overhaul, no one knew to what shop the engine would go first and where it was to go next. At present, the overhaul involved in an engine had been spelt out in great detail indicating the type of work to be done, manhours required to be spent on the job in each shop etc.

4.17. The Committee then asked, if it did not mean that between 1952 and 1963, the work was done in a completely haphazard manner. The witness said "I am afraid I must admit that. It was very much ill organised, fact, there was no control on the jobs that were being done in the various shops."

4.18. The Committee desired to be furnished with a note indicating (a) the annual turn-over of work indicating the number of ships handled and the man-days involved from the year 1952 onwards till the new system of control over production costs was introduced in Dockyard and thereafter; and (b) the work-load in terms of expenditure incurred annually during the above period.

4.19. The information supplied by the Ministry indicates that after introduction of the new system in 1964, 127 ships were handled in dockyards involving an expenditure of Rs. 298 lakhs. Before the introduction of new system, in 1963, 120 ships involving an expenditure of Rs. 284 lakhs were handled.

4.20. Since the Ministry have furnished information in regard to the number of ships handled and the expenditure incurred for the year 1964 i.e. for one year only after the control over production costs system was introduced, it is not possible to assess the improvement, if any, effected with the introduction of the system. The Committee would therefore, like the Government to watch the performance and achievement of the new system and see how far it had reached the expected goal. In case of any deficiency being noticed the Committee hope that necessary remedial steps would be initiated soon. They also hope that the full complement of staff required for the working of new system would be in position soon.

Stores lying unutilised—para 17, *page* 10:

4.21. In the following cases, equipment/stores are lying idle for an unduly long time:—

Particulars of the equipment/ Store	Value of the equipment store	Period from which lying idle	Remarks
	Rs. lakhs		
(*i*) Three sets of conversion equipment received from U.K. during 1958-59.	1·80	1958-59	These were received for a Naval Training School.
(*ii*) One Anti-aircraft aiming trainer received from U.K. in 1957.	1·19	1957	
(*iii*) Naval Pumps, coponents and other stores.	3·39	1954-59	
(*iv*) 22,459 lbs. of a chemical	22,100	1959	The Ministry have intimated in January, 1966 that efforts are being made to utilise the surplus stock within the three Services.
(*v*) 110 logs (4,366 cft) of timber received in February 1962.)	74,700	1962	The Ministry have intimated in January, 1966 that the full quantity could not be put to use as the Graving. Dock has in the past been occupied for long periods for refitting capital ships.

4.22. With regard to the present position of utilisation of the equipment, the Committee were informed during evidence, that the first three items, listed in the Audit para, related to some spares. The indents for them were raised in 1952-53, but the supplies, the witness stated, started materialising in 1954 and the entire supplies were completed by 1957 only.

4.23. The witness added that by that time the ships had become too old and a decision had been taken to scrap them as a result of which the

spares were not put to any use. When the order were placed in 1952, it was expected that the ships would be in commission for quite a long time. It was realised, the witness stated, that the ships would go out of commission by the time supplies arrived.

4.24. In reply to a query the witness stated that until recently orders were being placed on the British Admiralty, who never indicated any date of delivery. The supplies, the witness added, generally materialised after 18 months and sometimes it took three to four years.

4.25. The Committee enquired if in the light of that experience, it should have been found out whether the supplies would be required or the ships would be scraped by that time. The representative of the Ministry replied that in 1952 no decision had been taken to scrap the ship. It was felt in 1956 that the ships might not remain in service very long. Asked whether an effort was made to cancel the indent, the witness replied that the Admiralty had already entered into contractual commitments and "we could not cancel the indent." When enquired if any communication was sent to the Admiralty, the witness stated "It appears we did not write to them." The Committee were informed that the reasons for not writing to the Admiralty were that certain items had already arrived by 1954.

4.26. The Committee then asked if the stores had started arriving in 1954 and a decision was taken in 1956 to scrap the ships, why no stores were used during the period of two years. The witness replied that the provisioning of spare parts was done on the basis of past experience. It was not that every spare part imported would be utilised within a short period. Provisioning was for a long time—3 or 4 years requirements. The witness added that if it was not done on that basis, it might not be possible to get them when required. In regard to the non-utilisation of spares it was stated that probably there was no need for them.

4.27. In reply to a query, it was stated that a small team was constituted in April, 1966, in response to an earlier recommendation of the Committee, to go into all the old surplus stores. The witness disclosing that the team had examined 17,000 items so far and made recommendations about their disposal or retention stated that there was a large number of stores particularly Naval Stores, to which no systematic thought had been given as to whether they should be held or disposed of. In regard to the items mentioned in Audit para, the witness stated that 3 out of them, had been included therein. For the rest, it was stated that the Naval Headquarters had suggested that since they were not much in number, they might be useful for ships which were already in service.

4.28. Asked whether there was any annual review Committee for reviewing utilisation of stores, the witness replied that there was a provision-

ing review Committee which indicated the items and their quantity needed to be imported or purchased on the basis of past consumption.

4.29. The Committee were informed that normally life of a ship made of steel was 20 years, but the ships in question were built in war time and were not made of material of the highest specification. It had, therefore, to be ascertained if the ship was to be maintained, what would be its maintenance cost. If it was uneconomical it had to be disposed of. It was the crew of the ship who always made out list of repairs required to be undertaken. The defect list, the witness said, then went to the Naval Headquarters who had to look into not only the money aspect but had also to see whether the replacements were available. The witness stated that before a decision to scrap a ship was taken a number of factors had to be taken into account.

4.30. It was stated, in reply to a query, that out of Rs. 3,59,000 spent on the purchase of items, stores worth Rs. 27,000 only were received after 1956.

4.31. In regard to item (iv) mentioned under the audit para, the representative of the Ministry stated that provisioning of that item was done on the basis of a formula applied by the Army. But when actually the material was issued to the ships, it was found that it was not useful for the ships. The witness further stated that almost the entire quantity of store was issued to the Army in May, 1966. In reply to a query, it was stated that question of issuing the stores to the Army was first taken up with the Army authorities on 11th September, 1963. The Army authorities intimated their intention to take over the stores in December, 1965. After laboratory test the stock was delivered to the Army authorities in May, 1966. Some quantity was given to Air Force also.

4.32. The Committee regret to note that provisioning for this chemical was made on the basis of a formula applied by the Army and this resulted in excessive provisioning. Even though the chemical in question has been utilised by delivering the same to Army and Air Force authorities, the Committee feel that the provisioning of such articles should be on the basis of estimates of the service concerned.

4.33. Asked when the indent for the Anti-air-craft aiming trainer was placed, the witness stated that it was done in 1950 and the trainer was received in 1955. Stating reasons for the delay, the witness said that the British Admiralty did not give any delivery date. The witness also disclosed that in the meantime a better trainer of a modern type was indented which was received in 1957 and had been installed. It was added that trainer, mentioned in the Audit para, was lying unutilised from 1955.

Explaining further, the Defence Secretary stated that in 1955 a team had gone abroad to consider various developments in a particular field. The team noticed a superior trainer which was thought to be useful for the particular task. The team on its return recommended that the superior trainer might be purchased. The trainer, the witness added, was being used since it had been received. At that time, the Defence Secretary stated, the work on the trainer indented in 1950, had progressed so far that if the Government of India had to cancel the order they would have to pay quite a substantial amount of money and got nothing. In view of the above, the order was allowed to stand. In reply to a query it was stated that the trainer could be used though it was not as good as the one received in 1957.

4.34. The Committee were informed that for the purchase of armament and equipment from countries, other than the U.K. a regular contract was made and delivery dates were stipulated in the contract itself. For the purchases from the U.K. an indent was placed and the supplies were made by the Admiral from its own stocks or it placed orders on the manufacturer. It was added that it was a legacy from the past and efforts were being made to get away from that. In regard to the usual period of delivery for the equipment obtained from other countries, it was added that it depended upon the nature of equipment. The Defence Secretary, however, added that no naval stores had been purchased from other countries as yet. But the delivery of complete equipment from other countries matured within a period of one to three years, which was quicker than the time taken by Britain.

4.35. The Committee desired to be furnished with a note indicating the dates of receipt of equipment/stores listed under the audit para.

4.36. Information supplied by the Ministry is at Appendix V

4.37. Judging from the above cases, the Committee are of the view that there are some serious defects in the store provisioning system. In respect of the stores for which indents were raised in 1952-53, the supplies were completed by 1957. By the time the supplies materialised some of the stores had lost their utility either for the reason that the equipment for which they were needed had become obsolete or their requirement had disappeared. In another case, the need of the equipment indented in 1950 did not exist by the time it was received in 1955 because in the meantime a more modern equipment had been found. The Committee regret to note the abnormal delay which takes place in provisioning of stores in Navy.

4.38. The Committee desire that to eliminate this regrettable feature, a thorough review of the procedure should be taken up at once. They feel

that it is not impossible to know about the life of an equipment before the stores required for its repair etc., are indented. The Committee would also like the Government to see that the supplies indented mature early. The existing procedure of indenting the Naval Stores from U.K. through the Admiralty which is a legacy from the past also needs a careful review.

Delay in disposal of a vessel, para 43, *pages* 23-24 :

4.39. In para 24 of Audit Report, Defence Services. 1961 mention was made of the injudicious conversion of a surplus vessel into a water boat at a cost of Rs. 3.49 lakhs. The vessel which was very sparingly used during the two years following its conversion in April, 1958 remained completely idle from May, 1960 due to heavy hull leakage and frequent breakdowns.

4.40. A Board of Survey which was assembled in August, 1961 to assess the condition of the vessel declared it as "beyond economical repairs" and the Naval Headquarters approached Government in May, 1962 for sanctioning its disposal. The Ministry have intimated in January, 1966 that approval for the disposal of the vessel was given in June, 1963. The sanction for its disposal through Director General, Supplies and Disposal was, however, issued by Government only in February, 1965, and the vessel was sold in April, 1965 for a sum of Rs. 2·7 lakhs. During the period May, 1960 to April, 1965 when the vessel was not practically put to any use, an expenditure of about one lakh of rupees, was incurred on pay and allowances, crew and maintenance of the craft.

4.41. The representative of the Ministry, at the time of evidence stated that the vessel was converted into a water boat for two reasons. One was, that the vessel was to undergo normal repairs. The second was, that the normal requirements of various ships in the dockyard were not being met by the two boats which the dockyard already possessed. The witness stated that the decision to convert vessel was not wrong. He added that Rs. 3.59 lakhs was also not the cost of converting the vessel into a water boat entirely, because the normal repairs would have to be carried out in any case. It was added that the craft* had been used from April, 1958, for about two years. From May, 1960, it could not be used as it had started leaking. In reply to a query, it was disclosed that the converted boat was even originally expected to serve for 2 to 3 years.

4.42. In regard to the delay involved in the disposal of the vessel the representative of the Ministry stated that considerable time elapsed in going through various formalities. The witness added that it also took

*The Committee, however, understand from Audit, that in terms of its 'daily' capacity the craft was used only for 44 days during these two years.

time to fix the upset price. That price was to be fixed on the depreciated value, but the vessel being an old one the record of its original capital cost was not available. After the upset price was fixed a reference was required to be made to priority indentors if they had any need for this craft. This took time then there was a ban on the disposal of all properties upto 1963.

4.43. Asked when the approval for the disposal was given in June, 1963 why the sanction was issued only in February, 1965. The witness explained in detail the procedure which the matter had to undergo and added that they delay was due to the procedure followed.

4.44. In reply to a question, it was stated that though the expenditure borne on the establishment had been shown against the vessel in question, in fact its entire crew was put to use during the period it remained idle. The witness added that the entire strength of the organisation worked as a pool and persons not required on one ship were put on other duties. He added that probably maintenance expenditure could be called infructuous.

4.45. The Committee desired to be furnished with a note stating how and when the crew of the vessel was employed from the date the vessel was unfit for utilisation.

4.46. Information furnished by the Ministry is at Appendix VI.

4.47. The Committee feel that an expenditure of Rs. 3:49 lakhs on the conversion of a vessel into a water boat for a use of 2-3 years was injudicious. They also feel that it is not proper to show in accounts the expenditure on a crew of a vessel which is no more in use. The day the crew was withdrawn from the vessel, expenditur on its pay and allowances etc. should have been shown nnder the head to which their services had been transferred.

V

DEFENCE FACTORIES AND INSTALLATIONS

Delay in execution of a project—Para 6, page 4.

For the production of an item of explosive, a plant with a capacity of 25 short tons per month was purchased from a foreign firm in March, 1962 and installed in a factory. In August, 1963 Government decided to increase the production to 75 short tons per month and a contract was concluded in December, 1963 by the Director General, Supplies and Disposals with the foreign firm for the additional plant required.

5.2. One of the considerations for augmenting the production was that the increased production, which was expected to commence by April, 1965, by which time all the equipment was required to be delivered, would enable the factory to conserve foreign exchange equivalent to Rs. 2·33 lakhs (approximately) per month from then. The project could not, however, go into production from April, 1965 on account of delays in the receipt of plant and also in the construction of the required buildings. Only 428 consignments out of 437 had been received till January, 1966. The administrative approval for the civil works portion of the project, too, was issued only in June, 1965 stipulating completion of the work within 18 months from the date of handing over of the site. The buildings were not, therefore, likely to be ready before the end of 1966.

5.3. Due to this delay, the expected saving in foreign exchange at Rs. 2.38 lakhs per month from April, 1965 had not materialised and the explosive continued to be imported.

5.4. The Committee were informed by Audit that the necessity for expansion was felt even in early 1963 and the foreign firm which had supplied the plant with a capacity of 25 short tons had made an offer for supply of equipment for the expansion plant and this offer was open upto 1st April, 1963. But the necessity of the project was still being considered by the Ministry of Defence in consultation with the Ministry of Finance between April and August, 1963. The Committee desired to know on what basis the firm made the offer for the supply of the equipment before April, 1963. The representative of the Ministry (Secretary, Defence Production) sought at the outset to make an amendment in the number of packages referred to in the Audit para. He stated that out of 442 packages, 441 had already been despatched and the remaining one was to be sent shortly. Out of these, 437 packages were in hand and 5 were missing.

5.5. As regards the order of the firm which was open upto 1st April, 1963 the witness stated that the Director General Ordnance Factories had a discussion with a representative of the foreign firm and had suggested that he might obtain a balancing plant for Bhandara in order to increase the capacity of nitro cellulose to 75 tons per month. The offer of the firm was received in December, 1962 and it was open upto 1st April, 1963. The D.G.O.F. had to get his own proposal processed through various stages according to the procedure laid down in this connection and the proposal was finally accepted in August, 1963. Therefore, the offer of the firm which was open upto 1st April, 1963 did not apply. After the Government sanction was issued the D.G.S. & D. was asked to request the firm to extend the offer that they had made originally. As a result of the efforts made, the foreign exchange component substantially decreased though there was increase in price. Price quoted by the firm upto 1st April, 1963 was Rs. 40·2 lakhs out of which Rs. 38·19 lakhs was the foreign exchange component and the price which the firm finally asked for was Rs. 41·44 lakhs and the foreign exchange component was reduced to Rs. 37·3 lakhs. In reply to a question, the witness stated that the D.G.O.F. had not been able to ask the firm to keep their offer open for a longer time as he was busy with 20 major projects at that time.

5.6. As regards the missing packages, all efforts were being made to locate them. The witness added that it was their experience that in departmental factories and public sector undertakings the imported items were lost in Port Trust or in transhipment by railways. Generally speaking the Government packages were not insured. As soon as the report was received that the packages were missing, the D.G.O.F. picked up the critical items and immediately wrote to D.G.S. & D. for replacement. In reply to a question, the witness stated that the procedure of getting replacement of a few items was not dilatory. The Secretary of the Ministry had the powers of sanction up to Rs. 8 lakhs which was sufficient to cover critical items. The dilatory part was really the question of getting the items from abroad and shipping them. In this case the indent was placed in August, 1963 and the contract was concluded in December, 1963.

5.7. In reply to a question, the witness stated that ordinarily when critical items were received the Ministry made special arrangements with the Embarkation Commandant but when packages were received on orders, as in this case, no special arrangements were made and the Embarkation Commandant had to trace them and forward them. The Embarkation Commandant had to deal with a large number of packages and once the packages were lost it was very difficult to trace them except when these were lost in the Warehouse of the Embarkation Commandant.

5.8. The Committee desired to know whether the Ministry had made any arrangement for the import of plant and machinery in such a way that

the target date fixed for it could be achieved or whether the machinery was received after the target date. The witness stated that under the agreement the firm agreed to supply machinery in 8 to 16 months, *i.e.* 8 months later and finish it 16 months later after the first payment was made. The first payment was made in February, 1964. So the firm should have commenced the supply in October, 1964 and completed it in June, 1965. It was however, the experience of the Ministry that despite the undertaking given by the firm in the agreement, the machinery was taking longer time to arrive. The Committee pointed out that the whole civil works was expected to be commissioned by April, 1965 but the Administrative approval for civil works was given only in June, 1965 *i.e.* 3 months after the target date and desired to know whether the civil works were not undertaken or they were going on in anticipation of the approval. The witness conceded that it took a considerable time for the civil works to get administrative approval and to finalise the programme. In this case, there were delays in getting the machinery and in the completion of the civil works as a result of which production was delayed. Asked whether the Ministry had considered the question of imposing any penalty on the firm for the delay in the delivery of the machines, the witness (representative of the Ministry of Supply, Technical Development) stated that as soon as the deliveries were completed they would look into the matter and if there was a case for liquidated damages, that would certainly be imposed.

5.9. The Committee pointed out that the Ministry had informed Audit in January, 1966 that the delay in issuing the Administrative approval for civil works was due to:—

(i) the inescapable necessity of integrating the expansion with the original plant purchased in March, 1962 which was itself in stages of erection during the period; and

(ii) detailed discussions between the army authorities and the firm to ensure that the lay out and building specifications were in accordance with the statutory regulations covering explosive manufacture. The layout and scope of the work could be finalised in September, 1964, the approximate estimates were finalised only in February, 1965, and the administrative approval was issued in June, 1965.

5.10. The Committee desired to know whether it was not feasible to execute the civil works under the emergency works procedure without waiting for the preparation of approximate estimates. The witness stated that the emergency works procedure did not apply to factory buildings. Replying to a question, the witness stated that it was the effort of the Ministry to use the full capacity of the production of nitro cellulose in that unit. That unit as first installed had only the capacity of 25 tons per month of nitro-cellulose powder but had the capacity of 75 tons of nitro-cellulose.

5.11. The building of the new balancing plant had to be constructed next door to the first plant. The delays at various stages were because the layout of the plant was approved after it was turned down thrice, there was prolonged correspondence with the firm in regard to the modifications in the layout, and it took time in preparing estimates and getting administrative approvals. He, however, added that in order to have a proper planning for the factory, to have proper coordinated layout and to ensure that the expenditure was minimum the bulk of the time taken was necessary.

5.12. Giving the present position, the witness stated that the civil works were expected to be completed between December, 1966 and March, 1967. The erection of plant and machinery was expected to be completed by March, 1967 and the full commissioning was expected w.e.f. 1st July, 1967. In reply to a question the witness stated that the unit had been started to attain self-sufficiency and to save foreign exchange and as soon as the new unit started it would reduce the quantum of import. He added that the Ministry had tried their best to start the plant as early as possible, and even if the civil works had been completed, the plant and machinery were not available.

5.13. The Committee regret to find that due to various delays at different levels the scheme to set up a plant for the production of explosives with the object of attaining self sufficiency, could not be achieved in time. The following unsatisfactory features have been noticed in this case:—

(i) There was a delay in getting the scheme approved, as a result of which the Government could not avail of the first offer of the firm and as a consequence they had to pay higher prices for the same supplies from the same firm.

(ii) The LGOF could have taken advantage of the first offer of the firm by asking them to keep it open for some time more which was, however not done.

(iii) Even though the civil work was scheduled to start by April, 1965, the administrative approval was given only in June, 1965 which indicates that the matter was indifferently handled.

(iv) There was no proper co-ordination between different authorities.

(v) The rate of supply of machinery had been far from satisfactory.

5.14. While conceding that some time is taken in drawing up and finalising the plans, the Committee do not agree with the contention of the Ministry that the bulk of the time taken in this case was necessary as they feel that much of the administrative delay at different levels could have been easily avoided. As a result of all these, the Committee regret to find that the expected saving of Rs. 2·33 lakhs per month in foreign exchange from April, 1965 could not be achieved.

5.15. The Committee hope that the Ministry would ensure that the present target of commissioning the plant by 1st July, 1967 is not impeded owing to further delay or lack of initiative. They would also like to be informed whether any action was taken to obtain liquidated damages from the firm for the delay in the delivery of the machines, and if so, with what result.

Project for manufacture of a chemical for civil trade—para 7, page 4.

5.16. In February, 1959, Government sanctioned the installation of a plant for the indigenous manufacture of a chemical in an ordnance factory at an estimated cost of Rs. 5.51 lakhs, to meet the requirements of civil trade. The programme was to manufacture more than 15 tonnes of the chemical per month, resulting in an annual saving of Rs. 13 lakhs in foreign exchange, besides making it possible to utilise the spare capacity of the factory. The project was expected to be completed in August, 1960.

5.17. The project was, however, completed only in May, 1964, at a cost of Rs. 5.13 lakhs, due to difficulties in the procurement of specialised plant and equipment involved in the project. The production was started in September, 1964 but a quantity of only 16 tonnes was produced upto January, 1965 for lack of demand from the trade. The objects of saving foreign exchange and of utilising spare capacity of the ordnance factory had not been substantially achieved till December, 1965.

5.18. The Committee desired to know whether the question of going ahead with the project was reviewed in 1962 and what was the position regarding the acquisition of machinery and progress of civil engineering works in 1962. The representative of the Ministry stated that there was no question of reviewing the project in 1962. The Ministry had accepted then and they were holding the same view even now that with this expenditure, they would be able to save foreign exchange and meet the demand which was continuing. He also stated that certain inaccuracies had gone in the Audit para as those were not corrected by the Ministry. The balancing plant would enable the factory, when its capacity was fully utilised, to produce 20 tons of chemicals (not 15 tonnes) to meet civil or service demands. During 1964 as the factory was busy with a number of new items which though did not interfere with the production, might have resulted in neglect in pursuing the question of obtaining civil orders. Several civil orders did not materialise. Certain civil firms did not like the chemical because of its colour. He, however, added that the difficulty could be surmounted and the factory had obtained a number of orders subsequently. Asked whether the statement in the audit para that production was less for lack of demand from trade was correct, the witness stated

that it was incorrect in the sense that imports of these chemicals were taking place; and it was correct in the sense that the civil trade did not go to the factory for their orders. If the General Manager of the factory did not have so many items in his hands and the factory had been fully utilised perhaps he would have been in a position to know what kind of orders were coming in. He also added, "If he (G. M.) had been a little more energetic he should have got the orders." Asked how the Ministry justified the expenditure on chemicals for civil trade in 1962, the witness stated that the Ministry of Commerce and Industry had informed them that they had no scheme to produce the chemical and the balancing plant did not interfere with defence production. In fact it was advantageous to have balancing plants. During peace time when the defence needs went down, the persons could be engaged on this and when the defence needs increased those persons could be taken of from the civilian items and put on the defence production. Otherwise, training of personnel took a long time.

5.19. Asked whether the demand for the chemical was still continuing, the witness stated that demand for the chemical used largely in paints was there against which they had obtained orders and furnished the following figures of import:—

1961-62	Rs. 7 lakhs
1962-63	Rs. 11 lakhs
1963-64	Rs. 13 lakhs
1964-65	Rs. 11 lakhs
1965-66	Rs. 35 lakhs

5.20. He also added that after devaluation and increase in prices the foreign exchange savings would be larger. Asked whether the Ministry of Commerce were asked to stop the import licences for this chemical, the witness stated that the Ministry of Commerce had been specifically informed about the available capacity of the plant.

5.21. The Committee regret to find that due to lack of proper planning the plant for the manufacture of the chemical which was expected to be completed in August, 1960 could be completed only in May, 1964 after the lapse of 4 years. Thus the original expectation of effecting a saving of foreign exchange to the tune of Rs. 13 lakhs per year was frustrated.

5.22. The Committee find from evidence that even when the chemical was produced, the needs of the market were not kept fully in view as some civil firms did not like to purchase it because of its colour. They are also disappointed to find that when the chemical was being imported to meet

the requirements of the civilian population, the General Manager did not take any initiative for the early production of the chemical in the Government factory.

5.23. The Committee hardly need emphasising that the Ministry should try to tone up the administrative machinery and satisfy themselves, that there is no organisational lacuna which might adversely affect the functioning of the plant. They further hope that the Ministry would maintain close liaison with the Ministry of Commerce and effect saving of the much needed foreign exchange by restricting the import of this chemical to the extent the demand can be met by this facory.

Creation of excess capacity—Para 8, *page* 5.

5.24. With a view to augmenting production of an item of store by 4,000 nos. per month in two shifts of 10 hours each, the installation of a production unit in factory 'A' at a cost of about Rs. 60 lakhs was sanctioned in June and September, 1962. On the basis of an average monthly output of 625 nos. per bench, seven fully equipped benches were required to achieve this increase in production. However, 28 benches (which would provide capacity of 17,500 nos. per month) were erected between July, 1963 and April, 1964. Eight of them had been fully equipped and the target production of 4,000 was achieved in August, 1963.

5.25. Though extra capacity was thus created in factory 'A', the manufacture of 1,72,000 nos. of this item out of a quantity of 2,70,000 nos. ordered on the factory 'A' was off-loaded to another factory 'B' during February and November, 1964 due to lack of sufficient load in that factory. This involved an expenditure of Rs. 45,000 approximately on transportation of raw material already procured, from factory 'A' to factory 'B'.

5.26. As a result of this diversion certain special purpose machines valued at Rs. 3.50 lakhs intended exclusively for the production of the item have been rendered idle in factory 'A'. Notwithstanding this idle capacity orders for similar special purpose machines valued at Rs. 1.62 lakhs had been placed in June, 1964 and February, 1965.

5.27. Against the existing capacity of 5,000 nos. per month in the eight fully equipped benches in factory 'A', the average monthly production from August, 1963 to July, 1965 was only 2,780 nos. approximately.

5.28. The Committee desired to know when the capacity of the factory 'A' was increased by 17,5000 nos. per month, have the production effected was only 4,000. The witness stated that instead of expanding the capacity of the factory 'A' the spare capacity at the factory 'B' was utilised. He also added that due to various factors, the demand for this item also had

dropped considerably. The witness further added that capacity of 17,500 nos. given in the Audit para was not quite correct because (i) it had taken only the question of the production of 28ft. supply dropping parachutes but it had not taken into account a lot of other equipment which went into the production for this item, (ii) it did not take into account a reserve of benches which had to be kept for maintenance, removal of defects and also as a reserve for leave ; and (iii) it was based on maximum production. Under the stress of emergency, a man produced much larger amount of work than when the emergency cooled down.

5.29. Asked how the production of 2780 against the monthly capacity of 5000 was justified, the witness stated that actual production was related to orders. In 1964, the orders started coming down and towards the end of 1964, no overtime was admissible in any of these factories.

5.30. The Committee desired to know why a special plant ordered for one of the factories at a cost of Rs. 3.50 lakhs was allowed to remain unutilised. After a brief discussion, at the instance of the Committee, the witness agreed to furnished detailed note stating the justification for creating the excess capacity for the manuafcture of the item and how the surplus special purpose machines were proposed to be utilised. The note has been furnished by the Ministry and is at Appendix VII.

5.31. The Committee find from the note that owing to emergency the capacity of the clothing factories had to be augmented and with the fall in the demand there had been a corresponding fall in the utility of the machines. They also find that even though some machines could be utilised quite a number of them **are still lying unutilised. The Committee hope that the Ministry will endeavour to make the best use of the machines which are still lying idle.**

5.32. The Committee would like to stress that the Ministry should try to resolve all inaccuracies factual or otherwise when the draft audit para is sent to them and leave no ambiguity in regard to facts when the final Audit para is taken np for consideration by the Committee..

Infructuous expenditure—Para 9, *page* 5.

5.33. An expenditure of Rs. 1.31 lakhs was incurred on preparation of a project report by a foreign engineer for the setting up of an Integrated Alloy and Special Steel Plant at an ordnance factory. The project report was given on 15 August, 1961, but the project has not been sanctioned.

5.34. The Ministry had intimated in November, 1965 that due to the acute shortage of foreign exchange, funds could not be found for setting up the project under the Ministry of Defence. They had however, added in February, 1966 that the proposal for establishing this plant had been

revived and that negotiations were being held with a foreign Government for their assistance in the matter.

5.35. The Committee desired to know the estimated requirement of Defence Services for alloy and special steel and to what extent the proposed plant would meet the requirement. The representative of the Ministry stated that the plant was visualised against requirement expected during the Third Five Year Plan. In consultation with the Ministry of Steel, it was decided that 50,000 tons be done by the Defence sector. The civil and defence requirements were integrated in the sense that some special requirements of defence might be available from the civil sector and *vice versa* and this co-ordination was done through the Ministry of Steel. He further added that the Ministry of Steel were consulted at a number of stages before the foreign engineer was asked to give the project report.

5.36. Asked why the foreign exchange was not sanctioned, the Committee were informed that while in 1960 the Ministry of Steel welcomed the proposal of setting up of the plant, in 1963 the problem of getting free foreign exchange came up. The Ministry of Finance was of the view that if foreign exchange could be obtained through credit, they would allow the scheme to get through. Finally, it was found that the Consortium and the Govt. of Japan who were supporting the Durgapur plant, could not be pressed for another capacity in the public sector. So, the project was dropped at that stage. In 1963, a mission was sent to Russia but it did not yield any result. In 1965, the scheme was again projected to the Soviet authorities. The Soviet authorities informed that they could give the assistance only in 1970 and that the request was to be renewed in 1968. In 1966, discussions were held with the Ministry of Steel. Bhilai Steel Plant was taking up the requirements of special steel and a review was to be made after six months in 1967. If the Steel Plant was able to do the job, the Ministry proposed to reduce their demand and meet it by modernising the plant at Kanpur by setting up an economic unit of about 20,000 tons. If on the other hand, the Bhilai Plant failed to produce the requirements, the Ministry proposed to pursue the idea of the Alloy Plant.

5.37. In reply to a question, the Committee were informed that out of the total defence requirement of 2,48,900 tons of special steel, more than half was being met from the civil sector *i.e.* Rourkela, Bhilai, Durgapur, Tatas etc. Asked how much foreign exchange the Bhilai Steel Plant would be requiring for augmenting their capacity to meet the defence needs, the witness stated that the Bhilai Steel Plant would not set up another plant. For this purpose, it was their anticipation that they would be able to do this by using their present capacity in a different way and would not require large additional foreign exchange. The witness added that it was his impression that the production of the special steel at Bhilai would only require

diversion of certain amount of furnace capacity. In reply to a question, the witness stated that the requirements of special steel in the Fourth Plan was 2,48,9000 tons, while the Ordnance Factories were capable of producing all types of steel required for defence purposes their capacity was limited to 30,000 tons only. Asked whether it would not be better to have the required production capacity in the defence units independent of other public sector units which suffered from lack of co-ordination, the witness stated that it was very desirable to do so, but despite efforts it could not be done during the last seven years. He, however, added that so far as the requirements of Defence were concerned, there had not been any hesitation on any body's part to help.

5.38. The Committee are glad to note that the Bhilai Steel Plant are successfully meeting some of the defence requirements of special steel. They would like to be informed of the results of the review proposed to be made in 1967, with regard to the capacity of Bhilai Steel Plant to produce the special steel required for defence purposes and the final decision regarding the setting up of the integrated alloy and special steel plant at the ordnance factory.

Avoidable extra expenditure in the procurement of an item—Para 13, *page* 8:

5.39. An ordnance Depot placed an emergent indent in March, 1963 on the Director General, Ordnance Factories for supply by July, 1963 of 3,500 Tow Bars for Shaktiman Trucks. The estimated cost of the item as indicated in the indent was Rs. 30 per bar.

5.40. In January, 1964, five months after the stipulated date of supply, the Director General, Ordnance Factories informed the indentor that the item could not be manufactured in the Ordnance Factories and that it would be procured from the trade. A contract was concluded by him on 4 April, 1964 with a private firm in Calcutta for the supply of this item at Rs. 162 per bar—delivery to be made at the rate of 400 bars per month from six weeks after the receipt of the order.

5.41. By the time the indentor received a copy of the contract, he had procured 760 bars locally to meet urgent requirements at prices varying from Rs. 67 to 93 per bar. The indentor, therefore, asked the Director General, Ordnance Factories on 2 May, 1964 to cancel the order as the contract price of Rs. 162 was exorbitant compared with the highest price of Rs. 93 per bar at which the stores had been purchased locally. The latter, however, expressed his inability to cancel the order, as the firm had already deposited the security deposit and also procured the material required for the entire order.

5.42. Due to lack of proper co-ordination between the Director General, Ordnance Factories and the Depot authorities, an extra expenditure of

Rs. 2.18 lakhs had already been incurred on 3,165 bars and a further extra expenditure of Rs. 0.23 lakh was likely to be incurred on the remaining 335 bars that were yet to be supplied against this contract.

5.43. The Committee desired to know whether the D.G.O.F. had ascertained from the indentor while placing the order in April, 1964, that they still required the total quantity of 3,500 bars as the indent was an emergent one and the indentor desired supply by July, 1963. The representative of the Ministry stated that the D.G.O.F. tried to get it made in one of his own factories even though it was a new item, and when he failed, he floated the tender. He added that there was no need for the D.G.O.F. to have gone to the indentor to find out whether they would still require the items because if they did not require the items they would have cancelled the indent and the indent had not been cancelled. He, however, agreed that the D.G.O.F. could have made a reference to the indentor with regard to the difference in prices. As regards the basis for fixing the price of Rs. 30 per bar, the witness stated that it was a new item and there was no previous price reference for this item. The officer in the Head Office fixed it on the basis of an old vocabulary price. The price was ridiculously low for a tow bar because even the local purchases were made at Rs. 93 per bar. To this the Committee pointed out that the tender price of Rs. 162 was equally ridiculous because the local price ranged from Rs. 67 to Rs. 93 per bar. The Committee were informed that the tender price was the lowest among the 12 tenders offered. Asked whether the Ministry did not think that some system should be introduced where some consultation or a reference was made to the indentor where there was a lot of variation in the price indicated on the indent and the actual quotations that were received, the witness stated that as in the D.G.S.&D., the D.G.O.F. was put under a restriction that if the price given on the indent exceeded by more than two-thirds, he must make a reference back to the indentor. The restrictions were on an "experimental basis", because the D.G.O.F. was of the opinion that the restrictions might cause delays on operational indents. After some experience the matter was to be reviewed. Asked about the nature of correspondence exchanged between the purchasing agency and the supplier, with a view to cancelling the order, the witness stated that on 3rd May, 1964 the D.G.O.F. received a telegram from the indentor asking for a suspension of procurement. The D.G.O.F. on receipt of the telegram contacted the firm. The firm wrote on 6th May, 1964 that they had procured all the materials needed for the manufacture of the total number of tow bars ordered and 50 bars were ready for inspection. The subsequent deliveries made by the firm proved that what the firm had stated. The witness added that the D.G.O.F. could not have done anything but to cancel the order and suffer the loss. Asked why the D.G.O.F. did not cancel the order and took over the raw

material, the witness stated that probably the D.G.O.F. did not do it because he had found that he could not find capacity to make tow bars in the ordnance factories and that would have amounted to infructuous expenditure. Asked why the purchase was not made through the D.G.S. & D., the witness stated that actually the present position was that the D.G.O.F. under the powers delegated to him, ordinarily placed orders direct on civil trade, where it was a part of an equipment which he was making to avoid chasing different authorities for the same equipment. If a similar occasion arose again, the D.G.O.F. should refer back to the indentor to get it through the D.G.S. & D.

5.44. **The Committee cannot resist the feeling that with a little initiative on the part of the D.G.O.F. much of the infructuous expenditure involved in this case could have been avoided. They do not find any justification for the plea put forward by the Ministry that there was no need for the D.G.O.F. to find out from the indentor as to whether he needed the supply even though the tender price was Rs. 162 as against Rs. 30 which was the estimated cost merely because the ordnance factory had not cancelled the order. Moreover, in this case while the indentor wanted the supplies to be made by July, 1963, the contract was concluded in April, 1964 with a private firm and even at that stage the D.G.O.F. did not ascertain the a private firm and even at that stage the D.G.O.F. did not ascertain the the estimated cost of the tow was calculated without any proper assessment of the production cost or the prevailing price of the item.**

5.45. **The Committee are, however, glad to note that the Ministry have issued instructions in December, 1965 whereby the D.G.O.F. should make a reference to the indentor where the price variation was substantial.**

Unfruitful expenditure in the purchase of a Machine—Para 14. *Pages* 8.9.

5.46. An automatic machine for the manufacture of a component item for Boots ankle was purchased at a cost of Rs. 46,248 and installed in an Ordnance Factory in November, 1962. A sum of Rs. 6,350 was also spent for purchasing spares and manufacturing tools for the machine.

5.47. The performance of the machine was not satisfactory. Against its rated output of 5,000 lbs. per month, only 688 lbs. per month, on an average, could be manufactured during the period November, 1962 to August, 1963. The production capacity of the machine had been verified by the Inspecting Officer when the machine was inspected at the time of purchase. According to the suppliers whose representative had inspected the working of the machine in the factory, the poor output was caused by the wrong operation and handling of the machine. The machine had been out of commission since September, 1963 and the defects had not yet been rectified till October, 1965. In the meantime, the Services' demands were

being met mainly by purchases from the trade at high rates varying from Rs. 2.25 to 4.50 per lb. against the average factory production cost of Rs. 1.70 per lb. with the help of this automatic machine. The total value of such purchases during 1963-64 amounted to Rs. 9.19 lakhs approximately.

5.48. The Committee were informed by Audit that the capacity of the machine had been verified by the Inspecting Officer of the India Supply Mission, London at the time of purchase. According to the representative of the supplier, who had inspected the working of the machine in the factory, the poor output was caused by the wrong operation and handling of the machine. Asked whether the Ministry agreed with the views of supplier, the representative of the Ministry replied in the negative and stated that even after correcting the defects pointed out by the suppliers, the machine did not work.

5.49. According to a warranty clause, the complaints had to be reported within 12 months and this the Ministry had done. The Ministry had been chasing the supplier from the time the defects had come to light. More than once, the representatives of the firm had come and inspected the machine. An expert of the firm was expected to arrive in November, 1966 to give final advice. The question of replacement of the machine would be decided after the arrival of the expert. The plant at present was not working. In reply to a question the Committee were informed that the Inspecting Officer had taken a trial run and he had done all that was needed while buying a new machine and the defects had not come out then. He had also furnished a certificate in this connection.

5.50. The Committee are disappointed to find that the automatic machine purchased in 1962 for the manufacture of a component item for boots ankle went out of commission in 1963 after functioning only for 9 months and during all these years the Government had to continue the purchase of this item from the trade incurring a lot of expenditure much of which could have been avoided. They are not fully satisfied that the initial inspection done at the time of purchasing the machine was thorough as: (i) the machine failed since the beginning to produce its rated output; and (ii) it went out of order so soon. They would, therefore, urge the Ministry to examine further whether the inspecting officer had put the machine to all the prescribed and proper tests before accepting it.

5.51. It is also beyond the comprehension of the Committee why the Ministry could not ask for a replacement of the machine when it was below-

its expected performance. They do not also appreciate the casual way in which the question of repair of the machine is being attended to. They hope that the Ministry would take greater initiative and settle the matter before long.

Extra expenditure on the purchase of a store—para 15, *page* 9:

5.52. The following quotations were received in response to an enquiry from the Director General, Ordnance Factories in November, 1962 for the supply of spring assemblies for Shaktiman Trucks:—

Firm 'A'	Rs. 580 per set.
Firm 'B'	Rs. 720 per set.
Firm 'C'	Rs. 760 per set.

5.53. Since firm 'A' required an import licence for the raw material, the second lowest quotation of Rs. 720 per set was accepted, and an order placed on firm 'B' in January, 1963 for the supply of 500 sets.

5.54. Later, however, revised quotations as indicated below were also received from firms 'A' and 'B' on 20 March, 1963 and 21 June, 1963 respectively for stores to certain revised specification which had been recommended by the Vehicles Inspectorate in October, 1961:—

Firm 'A'	608 per set
Firm 'B'	Rs. 900 per set.

5.55. Director General, Ordnance Factories also invited tenders for a second time on 21 October, 1963 for stores to the revised specification when firm 'C' quoted its original rate of Rs. 760 per set. Thus firm 'A' quoted only Rs. 28 per set more for sets with the revised specification, and firm 'C' offered to give them at the same price as before. These two offers were, however, not considered because firm 'A' again required an import licence while firm 'C' did not have facilities to manufacture the sets by a special process recommended by the Director of Vehicles. The rate of Rs. 720 in the order placed on firm 'B' was, therefore, increased in November, 1963 by Rs. 180 per set for supply of stores to the revised specification and the quantity was also increased from 500 to 1,000 sets.

5.56. It has been worked out that production of the sets in an Ordnance Factory to the revised specification would have increased their cost by only Rs. 37 per set. Thus, for the revision in specification the firm 'B' was paid Rs. 143 (Rs. 180 — Rs. 37) per set more than what the change would have cost in the Ordnance Factory. On this basis the extra cost to Government is Rs. 8.44 lakhs on 5,903 sets supplied.

5.57. The Committee desired to know how the correct specifications escaped the notice of the D.G.O.F. when he issued the tender enquiry in November, 1962. The representative of the Ministry stated that there was a misunderstanding about the interpretation of the letter of 31st October, 1961 regarding specifications from the Vehicles Inspectorate. The Ministry could not convey the correct impression to the Audit as they themselves were misled by a reference in a letter of February, 1963, that the letter of 31st October, 1961 really represented the revised specifications. But the letter of 31st October, 1961 did not represent the revised specifications. The position was that there were nearly 42 leaves in these springs. Because it was found that the production in the ordnance factory was not upto the standard without the shot-peening procedure the machine for which was not available in the ordnance factory, these leaves were being made with Chrome-vanadium. The letter of 31st October, 1961 was only addressed to the Inspector of the Ordnance Factory, Kanpur to make tests in a special way because there was the special method that the ordnance factory was following, namely changing 8 leaves into Chrome-vanadium. The letter of February, 1963 which laid down the revised specifications required a spring to consist of 14 leaves of Chrome-vanadium and shot-peening. When this letter was received by the D.G.O.F., he cancelled the first order and re-tendered on the revised specifications.

5.58. As regards the comparative position of the firms, the witness added that firm 'B' and firm 'C' were the two firms which had the special ability to manufacture the springs. Firm 'A' was a small scale industry. The D.G.O.F. preferred the firm 'B', because they had higher capability, and even though they required some imported items they had a stock of these items and in fact they had an import licence too. As against this, the firm 'A' whose offer was rejected, had to depend on imports for which they had to approach the Director of Industries and the import procedure being cumbersome, it took a long time to get imported material, and it was the assessment of D.G.O.F. that the India Leaf was not capable of producing the number of springs required. In reply to a question, the witness stated that the firm 'A' did not mention the quantity it was expected to import nor did the Ministry enquire about it. When the Committee pointed out that a re-tendering indicated that the need was not very urgent and the D.G.O.F. could have waited for some time, the witness stated that it was not so, because without these springs neither, the Shaktiman trucks could be manufactured nor the spares could be provided. As a result of the first tender the D.G.O.F. had placed an order on Firm 'B' for 500 sets on 16th January, 1963, and another order on firm 'A' for 300 sets in July, 1963.

5.59. The firm 'A' submitted a sample in October, 1964, which was rejected. The revised sample was submitted in February, 1965 which was

accepted in March, 1965. The firm commenced supplying the orders from September, 1965 and completed it in November, 1965. Asked whether the supplies were found to be all right, the witness stated that these were yet to be tried. As regards the time taken by the other firm (Firm 'B') to supply the sets, the Committee were informed that the original order for 500 sets was placed on them on the 16th January, 1963 on the old specification and the revised supply order was placed on 28th November, 1963 for 1000 sets. The firm was already aware that they would get a minimum order of 500 sets because it was only a change in the specification and they had already produced silico manganese and chrome-vanadium leaves and it was just a qusetion of putting them together. This firm started making supplies in October, 1963 and completed all the supplies by April, 1965. He further stated that in addition to 1000 sets, the firm had also supplied 750 sets of Shaktiman spring assemblies and more than 50,000 loose leaves as spares against order placed in June, 1964 for delivery by April, 1965 and total supplies made by the firm upto April, 1965 was 1750 sets and 50,000 loose leaves of spares. The Committee desired to be furnished with a statement indicating—

(i) the dates of delivery laid down in the order placed in November, 1963 and to what extent supplies were made within the period of delivery.

(ii) the quantity of store (a) for which tenders were called for in October, 1963; (b) for which order was placed in November, 1963; and (c) actually supplied by the firm and why no fresh quotations were called for, for the increased requirements to obtain competitive prices; and

(iii) what was the latest cost of production of the store to the revised specification in the ordnance factories.

The note furnished by the Ministry is at Appendix VIII.

5.60. **The Committee find from the note and the evidence tendered before them that the Ministry were guided merely by the following considerations to reject the offer of the firm 'A' though their tender was the lowest :—**

(i) it was a new firm coming in the line and not borne on the books of the Director General of Technical Development;

(ii) it belonged to Small Scale Industries group and so would not be able to obtain easily import quota for raw materials from the Iron and Steel Controller; and

(iii) it was the assessment of the D.G.O.F. that the firm had not the ability to supply the material in time and also to the required technical specifications.

5.61. The Committee feel that merely on these assumptions the D.G.O.F. should not have placed the order on firm 'B' whose rates were 25% higher. As the rates quoted by the firm 'A' were the lowest, they should have been given the order to enable them to execute it in time and thereby help the growth of Small Scale Industries also.

5.62. The Committee are also disappointed to learn that against the first order of 500 sets placed with firm 'B' to be delivered by 30-11-1963, only 230 sets were delivered upto November, 1963 and against the second order of 500 sets to be delivered by 31-1-1964, extension of the delivery period was granted upto the 31st October, 1964 and that the full supply of 1000 sets was completed by October, 1964 only. They are of the view that if such concessions were granted to the firm 'A' perhaps they could have supplied the sets by October, 1964 which would have saved much of the extra expenditure incurred by the Government on these sets.

R. R. MORARKA,
Chairman,
Public Accounts Committee.

NEW DELHI;
January 28, 1967.
Magha 8, 1888(*S*).

APPENDIX I

Notes showing reasons for excess over voted grants disclosed in Appropriation Accounts of Defence Services for the year 1964-65 *under Grants Nos.* 5 *and* 6.

(*Vide* para 1·12 of this Report)

REGULARISATION OF THE EXCESS OVER VOTED GRANT DISCLOSED IN THE APPROPRIATION ACCOUNTS OF THE DEFENCE SERVICES FOR THE YEAR 1964-65 UNDER GRANT NO. 5—DEFENCE SERVICES, EFFECTIVE—NAVY.

Grant No. 5.—Defence Services, Effective—Navy

Voted Grant	23,14,50,000
Actual Expenditure	23,93,59,518
Net Excess	79,09,518

2. The details of the net excess by various Sub-Heads of Accounts of the Grant are indicated below:—

(In lakhs of Rs.)

Sub-Head of Account	Original Grant	Final Grant	Actual Expenditure	Variation between columns 3 & 4
1	2	3	4	5
A—Pay & Allowances of the Navy . . .	585·00	585·00	588·61	(+)3·61
B—Pay & Allowances of Reservists . . .	5·00	5·50	5·37	(—)0·13
C—Pay & allowances of Civilians . . .	465·00	465·00	464·90	(—)0·10
D—Transportation and Miscellaneous . .	162·00	166·35	175·25	(+)8·90

1	2	3	4	5
E—Expenditure on Stores .	591·00	591·00	664·62	(+)73·62
F—Expenditure on Works (other than Capital projects) Maintenance etc. .	190·00	195·56	189·41	(—)6·15
G—Charges in England .	316·50	305·56	304·90	(—)0·66
H—Loss or Gain by Exchange	..	0·53	0·53	..
TOTAL .	2314·50	2314·50	2393·59	(+)79·09

3. It would be seen from the above that the net excess of Rs. 79.09 lakhs has occurred mainly under Sub-Head 'E' (Rs. 73.62 lakhs) and to a lesser extent under Sub-Head 'A' (Rs. 3.61 lakhs) and Sub-Head 'D' (Rs. 8.90 lakhs). The important factors responsible for the excess under these Sub-Heads are briefly indicated below:—

Sub-Head 'A' (+) *Rs.* 3.61 *lakhs.*

The following factors were primarily responsible for the excess under this Sub-Head:

(1) More expenditure than anticipated was incurred by way of payment of money in lieu of Rations to sailors on leave; and

(2) Expenditure on account of Additional Dearness Allowance sanctioned during the course of the year could not be estimated very accurately.

Sub-Head 'D' (+) *Rs.* 8.90 *lakhs.*

The excess under this Sub-Head was mainly under "Passage & Conveyance of Personnel". This excess is attributable to the fact that the movement of personnel/stores is an uncertain factor depending as it does on the requirements of the service from time to time. The uncertainty regarding the raising of debits in respect of movements of personnel/stores by Rail also makes it difficult to assess the expenditure very accurately.

Sub-Head 'E' (+) *Rs.* 73.62 *lakhs.*

1. *Armament Stores* (+) *Rs.* 30.59 *lakhs.*

The excess under this item was caused by supply of armament stores through DGOF materialising to a larger extent than anticipated.

2. *Customs Duty* (+) *Rs.* 37.62 *lakhs.*

The excess under this item is accounted for by the fact that claims in respect of the previous year (1963-64) were booked to the accounts of 1964-65. As these were booked only in the March (Final) and March (Supplementary) accounts, the expenditure could not be anticipated.

3. *Aircraft* (+) *Rs.* 14.50 *lakhs.*

The position in regard to the excess in respect of 'Aircraft' is as follows:—

"An amount of Rs. 20.00 lakhs had been catered for in the Revised Estimates for 1964-65 to provide for payment on account of Alouette Helicopters to be supplied to the Navy by IAF. Two Helicopter's were taken over by the Navy in June, 1964 and the relative receipt voucher was forwarded to Controller of Defence Accounts (Navy) for adjustment. As the amount was not adjusted against the relevant budget provision until March, 1965, it was presumed that adjustment was not likely to be made before the close of the year and the provision made for the purpose in the Budget was deleted from the modified appropriation. The adjustment was, however, carried out by Controller of Defence Accounts (Navy) in the March (Supplementary) accounts by which time it was too late to provide for the expenditure in the final estimates for that year".

4. The above excesses under Sub-Head 'E' totalling Rs. 82.71 lakhs were partly set off by minor savings under other items of stores thus bringing the net excess under the Sub-Head to Rs. 73.62 lakhs.

5. In order to avoid recurrence of such variations from the voted Grant, reviews of the Budget are carried out from time to time and all efforts are being made to ensure that estimates are framed as realistically as possible.

6. The excess of Rs. 79.09 lakhs is 3.4 per cent of the Final Grant. In the circumstances explained above, it is requested that the excess may be recommended for regularisation by Parliament under Article 115 of the Constitution.

Sd/-
N. D. BUCH,
Joint Secretary.

(M. of D. u.o. No. F.5(3)/66/D(N-1), dated the 5th October, 1966.)

REGULARISATION OF EXCESS OVER VOTED GRANT FOR THE YEAR 1964-65 UNDER GRANT NO. 6—AIR FORCE.

The following table shows the sanctioned Grant, actual expenditure and excess over the sanctioned Grant under Grant No. 6—Air Force during 1964-65.

Original Grant	Rs. 124,61,00,000
Supplementary Grant	Rs. 2,95,70,000
	Rs. 127,56,70,000
Actual Expenditure	Rs. 128,94,72,744
Net excess	Rs. 1,38,02,744*

*Does not include Rs. 667,826 erroneously booked under Grant 113-Defence Capital Outlay.

2. The details of the expenditure under various Sub-Heads of the Grant together with the excess/saving under each Sub-Head are indicated below:—

Head of Account	Final Grant	Actual Expdr.	Difference between Final Grant & Actual expenditure.
		(In lakhs of rupees).	
A. Pay and Allowances of Air Force Personnel	22,11·00	21,60·98	(—)50·02
B. Pay & Allowances of Reservists & Auxiliary Services	0·52	0·30	(—)0·22
C. Pay & Allowances of Civilians	6,42·00	6,29·34	(—)12·66
D. Transportation & Misc.	5,84·00	5,80·90	(—)3·10
E. Expenditure on Stores	74,63·18	77,10·95	(+)2,47·77
F. Expenditure on Works (Other than Capital Projects), Maintenance etc.	7,70·00	7,26·71	(—)43·29
G. Charges in England	10,84·11	10,83·66	(—)0·45
H. Loss or Gain by Exchange	1·89	1·89	..
TOTAL	1,27,56·70	1,28,94·73*	+1,38·03

*Does not include Rs. 6.68 lakhs erroneously booked through oversight under Grant 113-Defence Capital Outlay. Payment of this amount was to be made on account of arrears of licence fee to a firm on behalf of the HAL (Kanpur Division) which was in a formative stage. Although the amount was recoverable from the HAL, initial budgetary provision was inadvertently not made. The amount has since been recovered and adjusted under "Receipts" during 1965-66.

3. It would be seen that an excess of Rs. 2.48 crores under Sub-Head 'E' has been counterbalanced partly by savings under Sub-Heads A(0.50 crore), C(0.13 crore) and F(0.43 crore) and minor savings under other Sub-Heads resulting in a net excess of Rs. 1.38 crores. The main reasons for the excess and savings are detailed below:—

Sub-Head 'A'—Pay and Allowances of Air Force Personnel—(Saving of Rs. 50 lakhs)

There was a small saving of Rs. 50 lakhs from the final grant of Rs. 2211 lakhs. This was due to less expenditure than anticipated. The estimates were based on the trend of actuals keeping in view larger adjustments during the closing phase of the annual accounts, which however did not fully materialise. Saving was also partly due to less actual strength than that anticipated at the time of the review. There was less expenditure on Living out ration allowance as more Airmen than estimated lived with units resulting in more expenditure on provisions as explained under Sub-Head 'E'.

Sub-Head 'C'—Pay and Allowances of Civilians—(Saving of Rs. 13 lakhs)

There was a small saving of Rs. 13 lakhs from the final grant of Rs. 642 lakhs. This was due to less expenditure than anticipated. The estimates were based on the trend of actuals, keeping in view larger adjustments during the closing phase of the annual accounts, which however did not materialise.

Sub-Head 'E'—Expenditure on Stores— (Excess of Rs. 2.48 crores)

The reasons for the main items of variations are given below:—

(i) Excess over the estimates of Rs. 112 lakhs on aircraft, engines etc., was mainly due to payments to HAL/ISM, London for procurement of aircraft and engines (Rs. 34 lakhs) and larger materialisation and adjustment of Rs. 78 lakhs on account of certain aircraft spares received during 1965-66 but were adjustable against the accounts for 1964-65. At the time the Modified Appropriations were finalised, no provision was made for these items as it was not clear whether the shipments would be made before 31st

March, 1965. It however transpired that the stores were actually shipped in March, 1965 and the cost was required to be adjusted during the year 1964-65.

(ii) Excess expenditure of Rs. 29 lakhs also arose on account of overhaul charges of Aircraft/engines relating to previous years payments for which were due to HAL, Bangalore, but provision for which was not made due to oversight. No liability register in respect of overhaul/repairs, through the H.A.L. is maintained by Government, but budget provision is made in consultation with H.A.L.

(iii) Issues of aircraft/stores to the Navy from Air Force sources are compilable as deductions of expenditure under Air Force and the expected adjustments for two items detailed below did not materialise before the closing of the accounts of the year resulting in excess of Rs. 14 lakhs:—

(a) Non-adjustment of credit of Rs. 4 lakhs on account of an aircraft issued to the Navy.

(b) Non-issue of an aircraft and engine of the value of Rs. 10 lakhs.

(iv) Excess expenditure of Rs. 50 lakhs under 'Provisions' attributable to larger consumption of rations than estimated and increased procurement cost of fresh supplies such as meat, chicken, milk, vegetables etc. The excess could not be anticipated at the time of finalisation of the Modified Appropriations as more than 50% of the total expenditure was adjusted after March 1965 (*i.e.* March (P), March (Intermediary), March (Final), March (Supplementary) and March (Supplementary-Corrections), Larger consumption of rations had arisen due to a larger proportion of Airmen than estimated having lived with units.

(v) Excess expenditure over the estimates under POL to the extent of Rs. 85 lakhs was due to greater flying effort than anticipated and levy of increased Excise Duty for the supplies drawn in March, 1965. The excess on account of increase in Excise Duty is estimated at Rs. 14 lakhs.

(vi) Excess expenditure of Rs. 4 lakhs on account of larger materialisation of aviation stores.

(vii) The excesses detailed above were partly counterbalanced shortfalls in expenditure:—

(a) Due to non-adjustment of certain invoices for equipment received during 1964-65 in that year's account as well as less adjustment on account of stores issued by the Ordnance Factories (Rs. 20 lakhs)

and

(b) shortfall under Miscellaneous stores due to non-materialisation of stores (27 lakhs).

Sub-Head 'F'—Expenditure on Works (other than capital projects), Maintenance, etc. (Saving of Rs. 43 lakhs)

The saving was mainly due to:

(a) Less expenditure on departmental charges (Rs. 20 lakhs) due to non-completion of certain 'capital' and 'maintenance' works;

(b) Less expenditure by about Rs. 10 lakhs on major operational works/minor works which could not be completed as anticipated and minor works for which actual payments fell short of the estimates;

(c) General charges of Rs. 7 lakhs—The shortfall was due to non-receipt of debits/bills/ID schedules from various authorities; and

(d) the shortfall (Rs. 6 lakhs) on maintenance of buildings, communications and furniture etc., was due to less amount paid than anticipated.

4. The excess of Rs. 1,44,70,570 including the erroneous booking of Rs. 6,67,826 referred to in para 1, above wrongly booked under Grant No. 113, Defence Capital Outlay, requires regularisation under Article 115 of the Constitution of India.

Large savings had occurred in the past in the Grants voted for Air Force. Details for 1960-61, 1961-62 and 1962-63 are shown below:—

Year	Original Grant	Final Grant	Actuals	Savings	Percentage of Savings
					(*In crores of Rupees*)
1960-61 . .	62·69	62·69	53·19	9·50	15·15
1961-62 . .	62·93	62·93	54·08	8.85	14·06
1962-63 . .	79·91	87·91	77·88	10·03	11·41

Details for 1963-64 have not been furnished as the Demands for that year were combined for all the three Services due to Emergency.

Considering the magnitude of the savings in the past years, the standards of budgetary control were improved. The excess of Rs. 1,44,70,570 which

has occurred in the Grant for 1964-65 works on to only 1.13 per cent as against savings of 11 to 15 per cent in the previous years.

In the circumstances explained above, it is requested that the excess may be recommended for regularisation by Parliament.

D.A.D.S. has seen.

Sd/-

M. M. SEN,

Joint Secretary (Air),

8th October, 1966.

APPENDIX II

(*Vide Para* 2.63 *of this Report*)

MINISTRY OF DEFENCE

Statement indicating number of gliders out of 65 gliders which were in use, lying idle or had been disposed of, and reasons for their non-use and how they were proposed to be utilized.

Out of the 57 gliders manufactured at Aircraft Manufacturing Depot, Kanpur, 46 only were despatched till 30-9-1966. The balance are awaiting incorporation of mandatory modifications and replacement of instruments rejected by inspection as intimated by the Department of Defence Production. Out of 46, one was supplied to the Indian Institute of Technology, Kanpur and another to the Kerala Flying Club. The balance of 44 was issued to NCC Air Squadrons. A statement is attached, (Annexure) part 1 of which gives the position of these 44 Rohini gliders in regard to their location, date of receipt, whether used or not and if not used, reasons therefor. The broad reasons for non-use of the gliders, where not used, are as follows :—

(i) Lack of sufficient number of gliding instructors.

(ii) Lack of hangar facilities.

(iii) Lack of airfield facilities.

2. To overcome the shortage of gliding instructors, it is proposed to post more GD pilots from the Air Force to NCC Air Squadrons, give them glider conversion training and utilise their services thereafter either as OC of such units or gliding instructors in such units. Attempts made in the past to recruit civilian gliding instructors have not been successful due mainly to inadequacy of the pay scales. It has now been agreed that the pay scales of civilian gliding instructors should be revised upwards to Rs. 500—40—700. Urgent steps will now be taken to recruit civilian gliding instructors through the UPSC.

3. Although the provision of hangar facilities for NCC Air Squadrons is the responsibility of the State Government yet such facilities have not been provided by them so far in many cases. The State Governments were accordingly addressed individually in July, 1966. In the meantime, DGCA/Air Force hangars where made available have been used. Steps will be taken to bring pressure on the State Government from time to time to provide hangar facilities where they do not exist.

4. At Indore and Lucknow, although hangar facilities were available, yet gliding could not be done because the Air fields were under repairs since November 1964. (The airfield at Ranchi also was under repairs since November, 1962 but has since been made available for use). It has been intimated that the airfields at Indore and Lucknow would be available for use by December, 1966.

5. Certain mandatory modifications are also to be carried out to 42 out of the 44 gliders supplied to the NCC Air Squadrons so far. Until these modifications are carried out, the gliders could not be flown. It is proposed to obtain the modification kits and carry them out in the gliders soon.

6. It is proposed to draw out a detailed programme for all steps to be taken with a view to putting all the gliders into use as quickly as possible. In the meantime, the possibility of loaning these gliders to civil flying clubs so that they could give training to the NCC cadets is also being explored actively through the DGCA.

7. Part II of the statement attached gives details of distribution of the eight single seater gliders received during 1957-58. These gliders could not be used so far for the reasons explained in the remarks column of that statement. With the programme proposed for utilisation of dual seater gliders and referred to in the earlier paragraphs, cadets are expected to reach the standard required for solo gliding soon when these single seater gliders would be put to use.

ANNEXURE

Annexure to Ministry of Defence Note dated 10-11-1966 to P.A.C. on Para 11 of Audit Report (DS), 1966.

PART—I

Statement showing Location of 44 Rohini Gliders supplied to the Air Wing, N.C.C.

Sl. No.	Name of Unit and location	No. of Rohini Gliders (Date of Receipt)	Used or Not	Remarks
1	2	3	4	5
1	1 Andhra Air Sqn. N.C.C. SECUNDERABAD	1 (Feb. 64)	No	(*a*) The glider is in crate due to shortage of hangar space. Space allotted in the DGCA hangar is being utilised for housing old gliders. (*b*) Gliding on old gliders was in progress till Mar. 1963. Thereafter due to intensive powered flying by No. 1 TTW at BEGUMPET AF from dawn to dusk, the use of BEGUMPET AF for gliding purposes was denied. This state of affairs continues even today. (*c*) The unit is to restart glider training at Nadargul AF where NCC hangar is to be constructed. Land for this purpose has been allotted by DGCA and the State Govt. has allotted funds for the construction of hangar.

1	2	3	4	5
				(*d*) The present OC GD (P) will be given glider conversion after the hangar is constructed at Nadargul.
2	2 Bihar Air Sqn. NCC. RANCHI.	1 (Feb. 64)	No	(*a*) CPWD hangar available at Ranchi. The Air field was under repair since Nov. 1962. As such no gliding could be carried out. A board of officers was held in July 66 by D.G.N.C.C. to determine the suitability of RANCHI AF for glider operation. The board suggested certain repairs to the existing gliding field. (*b*) On completion of the repairs the OC GD(P) who has been posted with effect from 10 Oct., 1966 will be given glider conversion training. Thereafter glider training can start.
3	1 Delhi Air Sqn. N.C.C. DELHI.	2 (Received after Mar, 66. Actual date of receipt being ascertained)	No	All facilities are available for glider flying. Rohini gliders have been received after March, 66. Mandatory modifications 17 and 18 have to be carried out. It is expected to get these mods done by December 1966.
4	1 Gujarat Air Sqn. N.C.C.	2 (June 64)	No	(*a*) The gliders (Rohini) are still in crate for want of hangar space. (*b*) The instrument of one of the Rohini gliders is unserviceable on initial

1	2	3	4	5
				inspection for which investigation is being carried out separately. DGCA has given us hangar space for one of the two old gliders. The Rohini gliders could not be assembled due to want of more hangar space. Recently DGCA has asked us to vacate this hangar as it is to be demolished in accordance with the expansion plan of BARODA A.F (*c*) The State Government have been requested to construct hangars for Rohini gliders.
5	1 Kerala Air Sqn. N.C.C. TRIVANDRUM	1 (Received after March, 1966. Actual date of receipt being ascertained).	No	All facilities are available for glider flying. Rohini gliders have been recieved after March, 66. Mandatory modifications 17 & 18 have to be carried out. It is expected to get these mods done by Dec., 66.
6	1 MP Air Sqn. N.C.C. INDORE	2 (Feb-April 1964)	No	The Rohini gliders are still in crate for want of hangar space. Glider flying on old glider kept in the portion of the DGCA hangar could not be carried out as INDORE AF is under repair since Nov., 64. The AF may be available by Dec., 66 for glider flying. The OC GD (P) will be converted to start glider flying on the airfield becoming serviceable.

1	2	3	4	5
7	2 MP Air Sqn. NCC BHOPAL	2 (Despatched by HAL on 29 Sept. 1966)	No	All facilities are available for glider flying. On receipt of Rohini gliders they will be assembled. The OC GD(P) will be given glider conversion immediately.
8	3 MP Air Sqn NCC RAIPUR.	2 (July 65)	No	Gliders are still in crate due to non-availability of hangar. The State Govt. have been asked to expedite construction of hangar.
9	1 Madras Air Sqn NCC MADRAS	2 (Received after March 1966. Actual date of receipt being ascertained.	No	The unit shifted its location from Meenambakam air field to Air Force Tambaram air field where AF hangar is available, in Sept., 66. The shifting was necessary due to heavy air traffic at Meenambakam air field. The OC GD (P) has been posted with effect from 1 Nov., 66. He will be given glider conversion on his arrival in the unit.
10	2 Madras Air Sqn NCC COIMBATORE	2 (Feb. Oct. 1964)	Yes	All facilities are available for glider flying. One Rohini glider has flown. The other one is still in crate for want of hangar space.
11	2 Mah Air Sqn. NCC NAGPUR	2 (March-April 64)	Yes	All facilities are available for glider flying. One Rohini glider has been used. The serviceability state of the other Rohini glider is under investigation.
12	3 Mah Air Sqn NCC POONA	2 (Jan-March 1964)	Yes	

1	2	3	4	5
13	1 Mysore Air Sqn NCC BANGALORE	2 (Feb 64 June 65)	Yes	All facilities are available for glider flying. **
14	1 Orissa Air Sqn NCC BHUBANESHWAR	1 (Feb 64)	No	Due to difficulties experienced in carrying out glider flying at CUTTACK the unit was shifted to BHUBANESHWAR in May-June 66 as hangar is available at the latter place. The unit was without an OC from June, 63 to Sept., 65. The new OC took immediate action to shift the unit to BHUBANESHWAR where glider flying could be inagurated. The OC GD (P) has undergone conversion in Oct., 66. Glider flying will commence in Dec., 1966.
15	1 Punjab Air Sqn N.C.C. JULLUNDUR	2 (Feb 64 Mar 64)	No	Gliders are still in crate for want of hangar space. State Govt. have been asked to expedite the construction of hangar.
16	2 Punjab Air Sqn. N.C.C. AMRITSAR	2 (Feb., 64 Mar 64)	No	Same as above.
17	1 Raj Air Sqn N.C.C. JAIPUR	2 (Oct 1964)	Yes	Glider flying facilities are available.
18	2 Raj Air Sqn. NCC KOTAH	2 (July 65 Aug. 65)	No	No hangar facilities are available. The gliders are in crates. The State Govt. have been asked to expedite construction of hangar.

**One Rohini glider has been used. The other one needs repairs.

1	2	3	4	5
19	3 Raj Air Sqn. NCC UDAIPUR	2 (Aug 65)	No	Gliders are in crates in the DGCA hangar. Due to shortage of technical staff these gliders could not be assembled. Since June 66 action has been taken to have the necessary technical staff posted. OC GD(P) has been posted since 1 April 66. Action is in hand to activate glider flying in Dec. 66.
20	1 UP Air Sqn NCC KANPUR	2 (May 65)	Yes	All glider flying facilities are available.
21	2 UP Air Sqn NCC LUCKNOW	2 (After March 1966. Actual date of receipt being ascertained)	No	Lucknow air field was under repair since Nov. 64. It has not yet been declared fit for glider operations. Glider flying is expected to commence by December, 1966.
22	3 UP Air Sqn NCC PANTNAGAR	1 (July 65)	No	Glider is in crate due to non-availability of hangar accommodation. The State Govt. has been approached to expedite construction of hangar.
23	1 Bengal Air Sqn. NCC CALCUTTA	2 (Feb-March 1964)	No	The Rohini gliders belonging to No. 1 and No. 2 Bengal Air Sqn. NCC are accommodated in one DGCA hangar at Behala A/F. Two of these Rohini gliders are
24	2 Bengal Air Sqn. NCC CALCUTTA	3 (Jan 64)	No	in crates. In June 63 a letter was issued by the Controller of Aerodromes Calcutta region to Dy. Director General NCC requesting him to examine the feasibility of carrying out gliding at Behala AF. In June

1	2	3	4	5
				64 Wg. Cdr. Nallaya met with an accident while carrying out gliding at Behala AF on old glider. The Court of Inquiry findings indicated that the close proximity of canal at one and the landing ground fencing at the other is a hazard to gliding activities. Gliding activities thereafter have been suspen ded. A Board of Officers is now being constituted again to re-examine the feasibility of carrying out gliding at Behala Air Field in the light of the previous Court of Inquiry findings.

PART—II

Distribution of 8 *single seater gliders received during* 1957-58.

Sl. No.	Name of the Unit & location	No. of gliders supplied	Remarks
1	2	3	4
1	11 Raj Air Sqn NCC, JAIPUR (now 1 Raj Air Sqn N.C.C.)	1	These are used after a cadet has undergone dual in tructions and is competesnt to glide solo. But as the dual instruction hours have been low, none of the cadets reached the standard required for solo gliding. Hence these single gliders could not be put to use.
2	13 UP Air Sqn NCC, LUCKNOW (now 2 UP Air Sqn NCC)	1	
3	9 Mysore Air Sqn NCC, BANGALORE (now 1 Mysore Air Sqn. NCC)	1	
4	14 Bihar Air Sqn NCC, RANCHI (now 2 Bihar Air Sqn NCC)	1	Only one Air Sqn NCC reported non-availability of asembly/servicing manuals in respect of these gliders. The manuals were supplied to this unit subsequently.
5	2 Bengal Air Sqn NCC, CALCUTTA (now 1 Bengal Air Sqn. NCC)	1	

1	2	3	4
6	17 Gujrat Air Sqn NCC, BARODA (now Gujrat Air Sqn NCC)	1	
7	10 Orissa Air Sqn. NCC, CUTTACK (now Orissa Air Sqn NCC, BHUBANESWAR,)	1	
8	2 Bengal Air Sqn NCC, CALCUTTA (now Bengal Air Sqn NCC)	1	

APPENDIX III

(*Vide* para 2·133 of this Report).

MINISTRY OF DEFENCE

SUBJECT:—*Public Accounts Committee—Consideration of the Audit Report (Defence Services), 1966; Page 14, para 24 Extra Expenditure in Local Purchase (Food-stuffs).*

Note relating to extra expenditure in local purchase of foodstuffs.

The Public Accounts Committee has desired to know when the certificate from the Market Superintendent was obtained. A statement giving the number and date of the letter from the O.C. Supply Depot, Calcutta asking for the local market rates and the date on which the market rates were furnished by the Superintendent College Street Market, Calcutta or his Assistant (Collecting Sircar College Street Market) is attached as Annexure I.

2. The P.A.C. also desire to know when the certificate from the Market Superintendent was first produced before the Court of Inquiry, whether it was before the first Court or second court and if it was produced before the second why was it not produced before. In this case, only one Court of Inquiry was held on the 13th September, 1965. This was followed by a Summary of Evidence. A Court of Inquiry is held to investigate whether there is a *prima facie* case against the individual complained of. This is followed by a Summary of Evidence if the findings of the Court of Inquiry show that there is a *prima facie* case against the individual.

3. From the questions and replies of the Court of Inquiry proceedings, it appears that the O.C. Supply Depot, Calcutta produced certificates obtained by him from the Market Superintendent at the Court of Inquiry. The certificates were not however taken on record of the Court of Inquiry proceedings.

4. The opinion of the Court of Inquiry was that the O.C. Supply Depot, Calcutta had been purchasing the item at exorbitant rates and he had failed to comply with instructions regarding authentication of local market rates. A Summary of Evidence was therefore taken during October-November, 1965. It is seen from the papers relating to the Summary of Evidence that the Supdt. of College Street Market, Calcutta was questioned with

regard to the certificates of local market rates obtained by the O.C. Supply Depot, Calcutta. These certificates were exhibited as evidence and the Supdt. College Street Market, Calcutta identified his signature on all except six certificates. The Collecting Sircar College Street Market, Calcutta identified his initials on the six certificates which had not been identified by the Supdt. College Street Market.

5. It may also be stated for the information of the P.A.C. that record indicates that tenders had been invited by the O.C. Supply Depot, Calcutta for the local purchases made by him and the lowest quotation accepted in all cases. It is, however, observed that at the time local purchases were made, the prevailing market rates were not obtained through a Board of Officers convened by the Station Commander and these were not published through Station Orders according to the prescribed procedure.

6. A Board of Officers was subsequently detailed by the Station Commander, Calcutta during January—March, 1966 in accordance with the existing rules to ascertain market rates prevailing during the period the purchases were made and these rates were authenticated through Station orders issued on 16th April, 1966. The rates so authenticated were the prevailing retail rates as worked out by the Board in consultation with the Civil Marketing Superintendents of various markets in Calcutta. A comparison of the rates paid by the O.C. Supply Depot, Calcutta for the various items purchased by him with the rates as authenticated through station orders shows that an extra expenditure of Rs. 11,223·91 paise only was incurred in these purchases.

7. The officer concerned had a heart attack. A Medical Board recommended his invalidment from service. Accordingly, he has been invalided out of service after consultation with the Central Vigilance Commission. The Special Police Establishment is still investigating into the matter.

Sd/- L. S. LULLA,

Joint Secretary.

21-11-1966. Tele No. 31804.

ANNEXURE I

Statement showing dates on which the Local Market rates were obtained by the O.C. Supply Depot, Calcutta.

Number & date of OC Supply Depot letter asking for local market rates.	Date on which local market rates furnished by the Supdt. College Street Market/his Assistant.
634/ST6B dated 10th October, 1964	22nd October, 1964
634/ST6B dated 4th October, 1964 .	22nd October, 1964
634/ST6B dated 23rd October, 1964	10th November, 1964
634/ST6B dated 2nd December, 1964	14th December, 1964
634/ST6B dated 4th March, 1965	8th March, 1965
634/ST6B dated 5th March, 1965 .	9th March, 1965
634/ST6B dated 5th March, 1965 .	9th March, 1965
634/ST6B dated 8th March, 1965 .	9th March, 1965
634/ST6B dated 9th March, 1965 .	9th March, 1965
634/ST6B dated 9th March, 1965 .	9th March, 1965
634/ST6B dated 12th March, 1965	12th March, 1965
634/ST6B dated 19th March, 1965	23rd March, 1965.

APPENDIX IV

(*Vide* para 2.169 of this Report)

MINISTRY OF DEFENCE

Note relating to the expenditure on provision of accommodation for Army Headquarters Static Workshop EME at Delhi Cantonment, Audit Report Defence Services, 1966—*Para* 35.

The Public Accounts Committee at their sitting held on 27th October, 1966 desired that a detailed note may be furnished on Para 35 of Audit Report, Defence Services, stating *inter alia*:—

(i) how the site for the construction of an Army Workshop was first selected;

(ii) why was it abandoned;

(iii) why could not the site be used for any other purpose;

(iv) are there any criteria laid down for the selection sites for Army Workshops; if so what are they; and

(v) whether those criteria were followed in the above case?

2. Army Headquarters had issued instructions under their No. 9623/30/Q3W(iii), dated 12th April, 1947 regarding the procedure for planning and siting new projects. A copy of the instructions enclosed*. It will be seen from page 6 of the procedure, referring to siting boards that certain instructions and guiding principles have been indicated for siting and lay out of projects by siting boards. The various points the siting boards have to take into consideration have been elaborately stated therein and exhaustively dealt with in Appendix I and Appendix II of the instructions.

3. Subsequently, instructions were issued under Army Headquarters No. 61279/Q3W/(iii), dated 22nd June, 1953 for planning and siting of new projects. These instructions reiterated the important points of earlier instructions and emphasised that orders for reccee-*cum*-siting and costing-*cum*-siting boards in respect of major works should normally be issued by Army Headquarters/Command Headquarters except in the case of projects costing upto Rs. 1 lakh each where Area Headquarters may issue necessary orders.

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*Not printed.

4. In this particular case, the reccee-*cum*-siting and costing board was ordered by the GOC-in-C, Western Command on August, 1962. The Board was directed by Army Headquarters on 7 September, 1962 to bear in mind the following requirements while siting the project:—

(i) The workshop would be located in the opposite direction to Meerut.

(ii) The building housing the welding generator and vehicle repair shops would be sited so far away from the signal centre as possible within the available area and will be sited in consultation with Army Headquarters Signal Regiment.

The reccee-*cum*-siting and costing Board followed the normal procedure and after considering 3 sites, 'A', 'B' and 'C', recommended on site 'B'. They, however, stated that if site 'B' was not available, the project should be sited at site 'C'. They rejected site 'A' on the ground that firstly it was rocky and uneven and extensive rock-cutting would be required; secondly, it was three miles away from the Army Headquarters Transport Company and thirdly, the road from the Transport Company passed through congested built up civil area. The GOC-in-C, Western Command accepted site 'B' as recommended by the Reccee-*cum*-siting and costing Board.

5. The proceedings of the Reccee-*cum*-siting and costing Board and the recommendations of the GOC-in-C, Western Command were considered in Army Headquarters. The Army Headquarters did not approve site 'B' because it came within the Green Belt area and the proposed artificial lake area. They did not also approve site 'C' because it formed part of area earmarked for domestic accommodation for AFHQ personnel. Army Headquarters asked Western Command on 4th June, 1965 to consider whether site 'A' would be acceptable to them. Western Command, however, reported that site 'A' was not acceptable to them. This was apparently because of the reasons given by the Reccee-*cum*-siting and costing-*cum*-siting Board and accepted by the GOC-in-C, Western Command.

6. Another site 'D' was also considered but it was also not acceptable to the Directorate of Signals being too close to Signal Centre and in the line of transmission to Meerut which would cause interference in the working of their HVF/SHF link Delhi/Meerut.

7. EME, therefore, proposed that the workshop should be located at site 'E'. QMG agreed with this recommendation and the project was ordered to be executed on site 'E' in July, 1963. In taking the decision, the Officers concerned presumable took into account the various facts and authorisations awarding to their judgement and in accordance with the prescribed procedure.

8. The total requirement of land for the unit was estimated at 35 acres as indicated below:—

(a) 12 acres for approach road.

(b) 15 acres for Technical and Administrative accommodation.

(c) 8 acres for married accommodation.

9. Under Army Headquarters letter No. 66283/Q3W(West), dated 2nd February, 1964, necessity was accepted for provision of accommodation for the Static Workshop at Delhi Cantonment at a rough cost of Rs 19·59 lakhs, out of which site clearance accounted for Rs. 4 lakhs. The go ahead sanction for site clearance was restricted to only 27 acres (@ Rs. 14,000 per acre), the remaining 8 acres having been left out as at that time there was a ban on construction of married accommodation. The contract for site clearance was accepted on 15th April, 1964 and the work commenced on 27th April, 1964.

10. Under Government of India, Ministry of Defence letter No. A/30973/Q3W(Policy)/325-S/D(W-II), dated 12th March, 1964, a Cantonment Planning Team was constituted. This team was given the task for drawing up a Master Plan for Delhi Cantonment. Its terms of reference were much wider than that of the Reccee-*cum*-siting of costing-*cum*-siting Board since they had to consider the planning of the whole Cantonment. This Team examined the recommendations of the Siting Board and came to the conclusion that the location of the EME workshop at site 'C', sketch 'P' which is the same as site 'E' in the enclosed map, would not be appropriate since it would come in the middle of domestic neighbourhood for officers and as such would prove a source of danger particularly to children, that there were no roads nearby where testing could be done and that the site was situated on the skuline of the Delhi Ridge, and being in close proximity to the Delhi University Campus, the workshop area consisting of tin-roof sheds and single storey constructions would stand as an ugly anachronism for all time to come. In view of these facts, the Cantonment Planning Team suggested that the workshop should be located at another site. They, however, considered this site as ideally suited for a large married colony of officers or for hospital/administrative buildings. On the basis of this advice of the Planning Team, DG(W) took up the matter with QMG on 7th September, 1964 and recommended that the site should be abandoned. The Army Headquarters finally decided to locate the workshop at its present site. There are no reasons on record to indicate why the present site was selected. Instructions were issued by E-in-C on 24th September, 1964 asking for immediate suspension of all work on the previous site. Under these instructions, conclusion of further contracts for the works was also to be held in abeyance till the final location and layout were finalised.

11. The work of site clearance had in the meantime proceeded to a certain extent and by the time the work was stopped in pursuance of the instructions issued, an expenditure of Rs. 2·5 lakhs had already been incurred on site clearance of approximately 18 acres, out of which 12 acres (cost Rs. 1·68 lakhs) represented the site earmarked for the approach road. This approach road is useful for both the sites. The workshop is to serve the vehicles for the Transport Company located near Moti Bagh and the vehicles of the President Body Guard Lines. Consequently the Link Road has been provided with two accesses, one on the Kitchner Road the other on the Shanti Path. The same road is expected to serve the new location also with an additional length of the road of approximately 1,400 feet. The cost of this additional length will be approximately Rs. 52,000.

The balance of Rs. 84,000 was spent on the development of the remaining 15 acres which was meant for Technical Administrative accommodation. In terms of cost, the area developed was equivalent to 6 acres.

12. In the new site, the layout was compressed and area was restricted to 29 acres. This restricted area of 29 acres includes the site for married quarters as well.

13. Administrative approval in respect of the project was issued on 21st October, 1965. The ban on married accommodation having been lifted in the meantime, the area required for the married accommodation was also included in the administrative approval for site clearance. A sum of Rs. 4·99 lakhs was provided for in the administrative approval for site clearance.

14. In this connection, it may be mentioned that the time the go ahead sanction was given by the Army H.Q. for construction on the site selected by them, the fact the site would be in close proximity to the Delhi University Campus was not known to them.

15. The expenditure incurred on site clearance will, however, not go waste. This cleared site will be put to use in the Master Plan which has since been approved by QMG and E-in-C, the old site is now earmarked for locating the Command Military Hospital.

Sd.|- (L. S. LULLA),
Joint Secretary.

Ministry of Defence.
Tele. No. 31804.

APPENDIX V

(Vide para 4·36 of this Report)

MINISTRY OF DEFENCE

Note indicating the cost of Naval Stores lying unutilized.

A list of items referred to in para 17(iii) of the Audit Report, Defence Services, 1966 costing Rs. 3,39,198·60, indicating the date of their receipt is attached (Annexure).

2. The items may be grouped into the following categories:—

(a) *Serials* 1, 2 *and* 3—

Naval Pumps and Accessories—Cost Rs. 27,000.

Dates of receipt—1954-1957:

These were specially procured for Minesweepers. When the stores were indented the ships were in active service and their disposal was not contemplated. In 1956 Naval Headquarters started considering whether to keep these ships in commission. In July, 1958 it was finally decided to dispose of the ships. The Defence Minister's approval was accorded on the 13th November, 1958 and the ships were paid off in February, 1959. No item was purchased specifically for these ships after the decision was taken to dispose of the ships.

The items were not, therefore, fitted on the ships. As these cannot be fitted in any other ships either it has been decided to dispose of the stores.

(b) *Serial* 4—

Aluminium Brass Tubes—Cost Rs. 35,775·00.

Received —8th November, 1954:

These tubes were procured as a part of normal provisioning to cater for ships' requirements of re-tubing oil coolers. Requirement of these tubes still exists and the present stock will be consumed. There will be no deterioration in storage.

(c) *Serials* 5, 6, 10, 11, 12 & 13:

Components of Anti Submarine and Echo Sounding Sets—cost Rs. 1,23,983·62—*Received*—1950—56:

These items were also procured on the basis of normal provisioning. These are important constituents of main units for Anti Submarine and

Echo Sounding sets which are still fitted and in use in the ships in service. These are required whenever necessity for replacement arises. No replacement has been issued so far because the items already in use have been repaired whenever rendered defective. It is considered necessary to hold these items in stock for issue whenever the necessity for complete replacement arises.

(d) *Serials* 7, 8, 9, 14 *and* 15—

Components of Anti Submarine and Echo Sounding Sets cost Rs. 1,52,439·98—*Received* 1944—49:

According to the Depot ledgers these items were received from 1944—49. Records concerning the procurement of these are no longer available due to laps of time and therefore the basis of procurement is not known. As in the case of items at sub-para (c) these are also constituents of sets still in service and therefore their retention has been considered necessary. There is no deterioration and the requirement for complete replacement can arise at any time.

Sd. (N. D. BUCH),
Joint Secretary, (Navy).

(M. of D. u.o. No. F.5(21)/65/D(N-1), dated the 16th November, 1966).

ANNEXURE

Serial No.	Patt No.	Description	Qty. No.	Rate per No.	Value	Date of receipts
1	B8E/401	Pumps GM Downtown 5" .	8	..	27,000·00	17-5-1957
2	„/407	Cranks for above . . .	18	..		29-12-1954 (1)
3	„/403	Bows for above	18	..		17-5-1957 (17) 29-12-1954 (3) 17-5-1957 (15)
4	B6/D31181	Tubes Al. Brass for Oil Cooler 9/16" e.d. ×20 LSG 4' 9".	2862	12·50	35,775·00	8-11-1954
5	F1A11/A2545B	Unit contractor . . .	25	590·00	14,750·00	20-10-1953 (5) 2-1-1956 (20)
6	„/A. 2559	Table Plotting . . .	1	13,036·87	13,036·87	17-3-1952
7	„/A.2757	Casting Assembly Bottom . .	12	1,333·54	16,002·48	22-9-1948
8 & 9	„/A.2945	Controls Training . . Controls A/544 . . .	42 12	1,500·00	81,000·00	Prior to 1945 20-12-1944 to 13-9-1948.
10	„/A.2996	Trans Receiver LTS Outboard .	6	2,086·25	12,517·50	25-11-1953 (5) 20-10-1954 (1)

11	..	Recorder Universal AS/50-220V for ES/75A	5	3,612·00	18,060·00	30-12-1955 (2)
12	„/A.3608A	Recorder	5	3,200·00	16,000·00	11-4-1956
13	„/A.2335	Recorder Range 110V . .	9	5,513·25	49,619·25	May, 1945 (3) 12-6-1950 (6)
14	„/A.2334	Recorder Range 110 V . .	3	4,564·75	13,694·25	Nov. 1945 (2) Nov. 1949 (2)
15	„/9960A	Control Training . . .	25	1,669·73	41,743·25	1944-45
					9,39,198·60	

APPENDIX VI

MINISTRY OF DEFENCE

Note indicating how the crew sanctioned for the vessel was utilized.

(*Vide* para 4·46 of this Report)

At the meeting of the Public Accounts Committee held on 25th October, 1966, to consider the paragraphs relating to the Navy in the Audit Report, Defence Services, 1966, the Chairman of the P.A.C. directed that with reference to para 43 of the Audit Report, a note should be submitted to the Committee indicating how the crew sanctioned for the Water Boat was utilised elsewhere and the exact amount of infructuous expenditure incurred on the pay and allowances of the crew.

During the period from *May* 1960 *to May* 1962, the craft was secured to moorings in the stream due to lack of adequate alongside berths in the Naval Dockyard. It was considered necessary that during the above period the regular crew should be available to ensure the safety of the craft and the security of the fittings, equipment and stores on board. The crew was also required to pump out water in case of leakage and operate auxiliaries and fire fighting equipment.

On the 3*rd June,* 1962, the craft was beached and the sanction for the civilian crew of 24 was cancelled with effect from the 4th June, 1962. From that date, a watch keeping crew of 7 civilians which was the barest minimum requirement to ensure the safety of the fittings in the craft and its security was alone sanctioned for L.C.T. until its disposal. The balance of the crew were absorbed in the overall vacancies in the Harbour Craft Service in different categories. When the L.C.T. 4294 was *disposed of in April,* 1965, the personnel borne against the watch keeping sanction were also absorbed in the vacancies in the Harbour Craft Service.

During the period from May, 1960 to May, 1962 some of the crew of LCT 4294 were also utilised for duties on other craft and for providing relief during sickness, leave and unauthorised absence. A statement showing the manner in which some members of the crew of the LCT were employed on other craft in the Harbour Craft Service during the above period is attached (Annexure).

In the circumstances stated above, it would not be correct to say that the expenditure incurred by way of pay and allowances of the crew of

LCT 4294 between May, 1960 and April, 1965 was infructuous. In fact, para 43 of the audit report does not refer to any infructuous expenditure but only states *inter alia* that during the period May, 1960 to April, 1965 when the vessel was not practically put to any use, an expenditure of about 1 lakh of rupees was incurred on pay and allowances of the Crew and maintenance of the craft. On verification, the above statement as well as the other sentences in the Audit Para were found factually correct and Audit was informed accordingly in January 1966.

Sd/- (N. D. BUCH)
Joint Secretary (N.)
Ministry of Defence.

ANNEXURE

Details of Crew Ex-L.C.T. 4294 Employed on other craft from May, 1960 to May, 1962.

Sl. No.	Category	Total No. sanctioned for L.C.T. 4294	No. employed	Period employed on other crafts	Duration in months
1	2	3	4	5	6
1.	Master . . .	1	1	April, 1961 May, 1961 Jan., 1962 February, 1962 April, 1962 May.,1962	6
2.	Sukhani . . .	2	..	..	..
3.	Cassab O/D . .	1	1	March, 1961 Apr., 1961 May, 1961	3
4.	Lascar 1st Class .	4	2	Jan., 1962	2
			2	Feb., 1962	
5.	Lascar O/D . .	4	1	Jan., 1960 to April., 1961	12
			1	July, 1961 to Dec., 1961	6
			1	Mar., 1962 to May, 1962	3
6.	Topass . . .	1	1	Jan., 1962 to May, 1962	5
7.	Engine Driver . .	1	1	Mar., 1962 to May, 1962	3

1	2	3	4	5	6
8.	Tindal . . .	2	1	Mar., 1962 to May, 1962	3
9.	Fireman . . .	3	3	Jan., 1962 to May, 1962	5
10.	Asstt. Firemen .	3	1	Jan., 1961 to Apr., 1961	4
			2	May, 1961	1
			2	June, 1961	1
11.	Electrician . .	1	..	..	..
12	Cassab E/R . .	1	..	..	..

APPENDIX VII

MINISTRY OF DEFENCE

(DEPARTMENT OF DEFENCE PRODUCTION)

Note stating the justification for creating the excess capacity for the manufacture of parachutes and how supplies special machines were proposed to be used.

(*Vide* para 5-30 of this Report)

The PAC desired that with reference to para 8—creation of excess capacity of AUDIT REPORT (DS) 1966, a detailed note may be furnished stating the justification for creating the excess capacity for the manufacture of the item and how the surplus special purpose machines are proposed to be utilised.

NOTE

A sanction for establishment of capacity for manufacture of 2,000 supply dropping parachutes (28 feet) and 500 Man-dropping parachutes and para-connected equipment per month in two shifts of 10 hours each, was issued in June and September, 1962. The additional capacity was to be created in the Clothing Factory, Avadi.

2. The capacity in the Ordnance Factories for manufacture of the parachutes, as in December, 1961, the proposed additional capacity in the Clothing Factory, Avadi, and the then assessed annual demand were as under:—

Item	Capacity per annum			Total	Assessed annual demand
	Clothing Factory Shahjahanpur	Ordnance Parachute Factory, Kanpur	Clothing Factory, Avadi		
28 Feet supply dropping parachutes	21,000	..	24,000	45,000	70,000
60 feet Do.	..	6,000	..	6,000	8,700
Man-dropping parachutes	..	..	6,000	6,000	6,000

3. On 17th November, 1962, following the declaration of emergency, an additional order for 2,50,000 numbers of 28 feet supply dropping parachutes was placed by Army Headquarters on DGOF. As a result of consultations with Army and Air Headquarters as well as Border Roads Development Board, it was decided by the Ministry of Defence in August, 1963 that the capacity for manufacture of 28 feet supply dropping parachutes should be planned at 30,000 per month and that this rate of production of parachutes would ulilised fully the then capacity of the Indian Air Force for dropping supplies to our troops in the border areas. Another order for 2,20,600 numbers of 28 feet supply dropping parachutes was placed by Army Headquarters on the DGOF, on the 30th July, 1963. Having regard to the increased requirements, a further Government sanction was issued in December, 1963, for balancing the capacity for production of supply dropping parachutes in the three Ordnance Factories at Shahjahanpur. Kanpur and Avadi, on the basis of the latest approved methods of manufacture, at a total cost of Rs. 10·03 lakhs.

4. With the issue of this sanction in December, 1963, the following capacity was to be set up in the Ordnance Factories:—

Item	Capacity per month			Total Capacity per month	Total capacity per annum
	Clothing Factory, Shahajahanpur	Ordnance Parachute Factory, Kanpur	Clothing Factory Avadi		
28 feet supply dropping parachutes . .	3,000	21,000	6,000	30,000	3,60,000
60 feet Do.	..	1,000	..	1,000	12,000
Man-dropping parachutes .	..	..	500	500	6,000

5. On a review of maintenance requirements of supply dropping parachutes for the period 1964—1967, and taking into account also future development of roads, air-fields and advance landing grounds, Army Headquarters reached the conclusion, in April, 1964, that no fresh indents for 28 feet supply dropping parachutes were necessary and that as a result of the stepping up of production of this type of parachutes in the Ordnance Factories, sufficient reserves had been built up to justify a reduction, in further production in the Ordnance Factories, to 15,000 Nos. of 28 feet supply dropping parachutes per month. This matter was considered in all its aspects in consulation with the DGOF, who implemented this reduced programme, for manufacture of the 28 feet supply dropping parachute, from October, 1964. One of the factors justifying the reduction was that it

was found possible to retrieve and re-use a major part of the 28 feet supply dropping parachutes which had been used for dropping parachutes which has been used for dropping supplies in 1962-63 and 1963-64. The production of 60 feet supply dropping parachutes was stopped altogether.

6. As a result of a further review of the position, it was decided in May-June, 1966, in consultation with Army Headquarters, that further production of 28 feet supply dropping parachutes should not exceed 2,000 parachutes per month at the Ordnance parachute Factory, Kanpur. At this rate of production it was expected to complete the outstanding order, as in May, 1966, for 37,500 Nos. of this type of parachute, by the end of 1967.

7. In implementation of the sanctions issued in 1962, the DGOF indented for the under-mentioned machines out of which all except 2 Band Knife Machines had been received, as on 3rd November, 1966:—

	(Nos.)
(1) Single needle machines (inclusive of Heavy Duty machines also).	674
(2) Two needle machines	25
(3) Four needle machines	50
(4) Zig Zag machines	30
(5) Miscellaneous	54
(6) Band Knife Machines (not yet received)	2
TOTAL	835

8. Against the second sanction issued in December, 1963, the undermentioned machines were indented for by the DGOF on the dates specified:—

	Nomenclature of machine	Date of indent	Quantity on indent	
1.	Zig Zag Sewing Machines 17-w-15	25-1-64	35 Nos.	
2.	Four Needle Industrial Sewing Machines 131-W-114	25-1-64	11 Nos.	
3.	Basting Machines 16-K-104	25-1-64	48 Nos.	
4.	Two Needle Industrial Sewing Machines 5/16" Gauge	25-1-64	142 Nos.	
5.	Do. 7/8" Gauge	25-1-64	83 Nos.	reduced to 66.
6.	Do. 1.¼" Gauge	25-1-64	7 Nos.	
	TOTAL		326 Ns.	reduced to 160.

The DGOF took action to reduce the orders for 232 numbers for the two needle industrial sewing machines covered by indent dated 25th January, 1964. The number of such machines actually obtained was only 66. It was not possible to take similar action in respect of the other machines, which were covered by acceptance of tenders.

9. Out of the machines listed in the two preceding paragraphs, 674 single needle machines can be utilised for clothing as well as parachute production. The two needle and four-needle machines, zig-zag machines and Basting machines are special purpose machines. As on the 3rd November, 1966, 111 such machines in all had been transferred to the Harness and Saddlery Factory and the Ordnance Parachute Factory, Kanpur, and the Clothing Factory, Shahajahanpur. Of the remainder of special purpose machines, a total of 118 special purpose machines, consisting of 42 two seedle machines, 39 four needle machines, 33 zig-zag machines and four basting machines were lying unused at the Clothing Factory, Avadi, in the absence of parachute production at that factory. The DGOF is examining the possibility of utilising, for other purposes, some of the zig-zag machines, by making suitable modifications in them.

Sd/- S. SAMPATH NARAYANNAN,
Under Secretary.
Tel. 34359.

(File No. F.31/3/66/D (Projects)

APPENDIX VIII

MINISTRY OF DEFENCE

(DEPARTMENT OF DEFENCE PRODUCTION)

Note indicating the date laid down for delivery of a store and to what extent supplies were made within the period of delivery.

(*Vide* para 5:59 of this Report)

Referring to Para 15 of Audit Report (Defence Services) 1966, the PAC desired:

(i) A statement may be furnished indicating the dates of delivery laid down in the order placed in November, 1963 and to what extent supplies were made within the period of delivery.

(ii) A note may be furnished stating the quantity of store:—

(a) for which tenders were called for in October, 1963,

(b) for which orders were placed in November, 1963, and

(c) actually supplied by the firm? Why no fresh quotations were called for the increased requirements to obtain competitive prices?

and

(iii) to know what is the latest cost of production of the stores to the revised specification in the ordnance factory?

NOTE IN ANSWER

(i) A supply order No. TU/6001 (Springs) dated 16th January, 1963 was placed by DGOF on M/s. Racmann Koshatkinn for 500 sets of springs for Shaktiman Trucks, with the stipulation that not less than 125 sets per month were to be supplied commencing with effect from five weeks from the date of receipt of order. This was subsequently amended, *vide* Corrigendum No. TU/6001 (Spring) dated 28th November, 1963, increasing the quantity to 1000 sets. The delivery period as indicated in the Corrigendum was as below:—

(a) 500 sets by 30th November, 1963.

(b) Balance 500 sets by 31st January, 1964.

Subsequently however the firm asked for, and were granted, extension of the delivery period upto the 31st October, 1964, on the ground that they had to depend on supply of steel spring flats from overseas countries.

Against the above order of November, 1963, the firm supplied 230 sets upto November, 1963. The full supply of 1,000 sets was completed by October, 1964.

(ii) Tenders had initially been called by DGOF in November/December 1962 for the supply of springs for Shaktiman trucks, and the requirement indicated was @150 sets per month or 1800 sets a year. In March 1963, when it was known that the Army required springs with a proportion of chrome vandium steel leaves, as per revised specification, M/s.....the firms who had quoted the two lowest rates in response to the earlier tender enquiry, were asked to confirm that they could supply the springs at the same rates as earlier tendered. In reply Firm B asked for a price increase of 25 per cent (i.e. Rs. 180/- per set) while Firm A raised their quotation by Rs. 8/- from Rs. 580/- to Rs. 588/- per set. Firm A was a new firm coming in the line and not borne on the books of the Directorate General of Technical Development. The DGOF placed an educational order on the firm on the 25th July, 1963 for 300 sets of springs. The firm promised delivery of 150 sets per month commencing from four months after receipt of the order, but it took them till November, 1965, *i.e.* 28 months, to complete deliveries against this order.

In October, 1963, as there were large uncovered requirements of the Army for leaf springs for Shaktiman trucks, a further enquiry was made by DGOF from various firms drawing attention to the earlier enquiry of November-December, 1962, and asking for springs to revised specifications. The quotations were as under:—

1.	Firm B .	Rs. 900 per set f.o.r. Delhi.	Quatations received in response to DGOF's equiries made in March 63 based on revised specifications—except that firm II charged an additional Rs. 20 per set for delivery f.o.r. Delhi.
2.	Firm 'A' .	Rs. 608 per set f.o.r. Delhi.	
3.	Firm 'C' .	Rs. 900 per set f.o.r. Bombay.	Quotations received in response to DGOF's tender enquiries of 21st October, 1963.
4.	Firm 'D' .	Rs. 760 per set f.o.r. Delhi.	

The quotation of Firm 'C' was passed over as they could not submit the sample for testing purposes and at that time they did not have the requisite raw material with them even to make a sample. The quotation

of Firm 'D' was not acceptable as the springs tendered by them were not "shotpeened" as the specifications required. Although the offer of Firm 'A' was the lowest, DGOF did not accept it as he found that though this firm had shot-peening facility, it belonged to the Small Scale Industries group and, therefore, could not easily obtain import quota for raw material from the Iron and Steel Controller. As this was a small scale industry, they would have had to get their import licence through the State Director of Industries/Development Commissioner which would have resulted in considerable difficulty and delay DGOF was also of the view that it was doubtful if the firm had the ability to supply the material in time and also to the required technical specifications. M/s. Racmann's was the only quotation which was to the approved specifications provided by samples. The order on the firm for 500 sets placed in January 1963 @ Rs. 720/- per set was increased on 28th November, 1962 to 1,000 sets @ 900 per set. This was done after the firm had confirmed, in reply to DGOF telegram No. TU/6001 (Springs) dated 27th November, 1963, that further order @ Rs. 900/- per set, if placed, would be acceptable to them.

As indicated in (i) above, the firm supplied the 1,000 sets by October, 1964.

(iii) The cost of production of these springs to the revised specifications without shot-peening, for which facilities do not exist in the Ordnance Factory, Kanpur, during 1965-66 was Rs. 653·27 per set.

Sd/- S. SAMPATH NARAYANAN,

Under Secretary.

(File No. 2/28/66/D (Proj.)

APPENDIX IX

Summary of main conclusion|recommendations of the 71st Report of the Public Accounts Committee on Appropration Accounts (Defence Service, 1964-65 and Audit Report (Defence Services) 1966

Sl. No.	para No.	Ministry concerned	Conclusions/Recommendations.
1	2	3	4
1	1.13	Defence	From the two notes submitted by the Ministry relating to excess of expenditure in grants No. 5—Navy and No. 6—Air Force, the Committee observe that the excesses were mostly due to larger materialisation of supplies of stores, during the period and non-anticipation of expenditure for certain items.
2	1 14	-do-	The Committee feel that the question of having an effective control over expenditure still needs to be pursued with a greater vigour. They hope that the measures initiated in the matter, as was stated by the Defence Secretary during evidence, would improve the budgetary control in the coming period, and shall eliminate excesses over the amounts authorised by Parliament.
3	1.15	-do-	Subject to the above observation the Committee recommend that excesses over Grants Nos. 5—Navy and 6—Air Force may be regularised.

1	2	3	4
4	1.23	Defence	The Committee note that the savings were due to the changes in specifications of the buildings, non-finalisation of payments for the transport hired by the Army authorities, provision for purchase of material for Ordnance Factories without any proper estimates, delay in sanctioning of construction of accommodation; non-materialisation of store supplies; miscalculation of expenditure etc.
5	1.24	-do-	The Committee regret that inspite of their repeated insistence on proper budgeting the above savings occurred and a substantial amount had not been utilized for the purpose it was provided for in the Defence budget. The Committee hope that efforts would be made to remove those defects so that budget estimates and actuals give a more realistic picture.
6	1.31	-do-	The Committee hope that vigorous efforts would be continued to speed up the clearance of the outstanding vouchers. They also desire that early decision should be taken to deal one way or the other with items which are more than six years old. Special attention is required to deal with the outstanding vouchers of Air Force, where the number of outstandings is very large.
7	1.40	-do-	The Committee regret to note that an amount of Rs. 2.50 crores on account of rent upto 31st March, 1965, remained outstanding till 30th September, 1965. In addition, another amount of Rs. 9.42 lakhs was outstanding on account of Defence department lands. It is all the more

			surprising to note that some of the dues related even to 1946-47. The Committee are not satisfied with the efforts so far made to effect these recoveries. Even though there may be some difficulty in handling of all these recoveries throughout the country by a special officer, the Committee feel that the Ministry of Defence should immediately evolve some procedure so that these outstanding dues are recovered as early as possible. In case where recoveries are not possible, the irrecoverable amounts should be written off with the sanction of the competent authorities. The Committee would also like to watch the progress of the efforts made in realising these outstanding dues through future Audit Reports.
8	1.43	-do-	The Committee hope that special efforts would be made to bring down at a rapid pace. The number of cases of losses which need regularisation.
9	2.7	-do-	The Committee regret to note that due to mis-interpretation of its legal authority Army Headquarters recruited instructional staff for the NCC on the terms applicable to the re-employment of such staff in the regular army. This mis-interpretation cost the exchequer more than Rs. 9 lakhs. The Committee feel that if the army authorities wanted to give more benefits as available to the re-employment of such staff in the regular army, the proper course for them should have been to obtain the sanction of Government for the revision of the terms and conditions prescribed in the 1958 order issued for the recruitment of such staff for NCC/ ACC. The Committee hope that the authorities concerned would be more careful in future and avoid recurrence of such cases.

1	2	3	4
10	2.13	Defence	The Committee regret to note that in his anxiety to complete the work, the Commander Works Engineer exceeded his powers of local purchase by splitting the supply orders to bring the items within his purchase powers. Higher prices were also paid for the different items of decontrolled sections of steel. The Committee feel that the Commander Works Engineer should have ascertained the rate of steel from the UPC and the Regional Officer of the DGS&D in order to verify whether the rates quoted by the local dealers were justified. The unfortunate aspect of the case is that the officer did not care to obtain prior sanction of the Government before the orders for the supply of steel were placed.
11	2.30	-do-	The Committee are unhappy to note the manner in which the contract was entered into with a firm in connection with the modernisation scheme in an Ordnance Factory.
12	2.31	-do-	The Department did not finalise the designs before inviting tenders but indicated only the approximate quantities of work involved. The tenderers were asked to quote on the basis of their own design, but the Department did not ascertain the approximate quantities of the work and the quantum of steel involved in the design adopted by the tenderers. The lowest quotation was decided upon with reference to the rates quoted and the approximate quantities of work mentioned earlier in the tender documents. In the absence of the assessment of correct quantities in respect of the designs given by the different tenderers, the Committee are unable to understand as

			to how the Department came to the conclusion that the accepted tender was the most economical.
13	2.32	-do-	Another aspect of the contract was the high rate of Rs. 2102 paid for each pile. The Committee are disappointed to learn that the same firm entrusted this work to a sub-contractor at Rs. 985 per pile for the first 300 numbers and Rs. 910 for each additional pile. The Committee feel that the department should have ascertained these rates from other sources also, which would have helped the department to come to more reasonable terms with the contractor.
14	2.33	-do-	The Committee understand that the contract provided for a deviation limit of 50 per cent. only. According to Departmental orders the additional piles ordered over and above this deviation limit should have been ordered only after issuing an amendment to the contract and settling the rates for the additional work. They desire that a thorough investigation should be made to ascertain as to why this procedure was not followed in this case. The Committee also feel that the Department should have taken this opportunity to settle a lower and reasonable rate atleast for the additional work before authorising the contractor to continue the work. If the contractor was not agreeable for a reduction in the rates, the additional work could have been entrusted to the sub-contractor which would have resulted in a substantial saving.

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15	2.34	Defence	The most unsatisfactory feature of this case is that running payments have been made to the firm at the old rates though it had been found by the Department itself that the rates were very high.
16	2 35	-do-	The Committee would like to be informed of the action taken against the persons found responsible in this deal and how the claim of Rs. 5.19 lakhs has been settled.
17	2.42	-do-	The Committee regret to note that although higher quotation had been accepted as a result of spot tendering there was delay in handing over the sites and the non-availability of stores required to be issued to the contractors. by the engineering authorities, which resulted in delay in the execution of the work connected with the provision of monsoon shelters for the troops. If the provision of monsoon shelters was really urgent, the authorities should have taken steps to hand over the sites in time and supply the required material for the construction of those shelters. The Committee hope that suitable steps would be taken by the Ministry to avoid recurrence of such instances in future.
18	2 46	-do-	The Committee understand that even the earlier report of the Geological Survey of India made in January, 1964 was sceptical of a high water table and had only recommended that a trial borehole might be drilled to a depth of 400 feet at any convenient location and if sufficient granular material is met with within this depth the borehole may be converted into a tube-well.

			The Committee are therefore, unable to understand as to how the Commander Works Engineer concluded a contract on the 16th June, 1964 on the basis of earlier report of the Geological Survey of India made in January, 1964 and continued the work till November, 1964. Another disturbing factor in this case is that the local Commander Works Engineer was not aware of the existence of the first report and had sought the advice of the Geological Survey of India in April, 1964, but even before the advance copy of that report was received by him on 2nd July, 1964, he concluded a contraction on the 16th June, 1964 and commenced the work on 26th June, 1964. The Committee feel that if the CWE who sought the advice of the Geological Survey of India had waited till 2nd July, 1964, the expenditure of Rs. 65,000 which had proved infructuous would have been avoided.
19	2.51	-Do-	The Committee understand from Audit that the Chief Engineer was informed on 9-10-1963 that the proposal for advance provisions of stores would be considered only after the scrutiny of the estimates for the main project was complete. But it was only after 14th February, 1964 when he was advised that the financial authorities had not concurred in the advance collection of stores that he approached the DGS&D for cancellation of indents etc. At that stage, cancellation could be effected in respect of stores worth Rs. 1.75 lakhs only. The Committee regret to note that no action was taken to stop provisioning of stores atleast immediately after 9-10-1963.
20	2·52	-Do-	The Committee suggest that action should be taken against officers who placed indents for stores in contravention of rules. They may be informed

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			of the final action taken against the Chief Engineer and the Deputy Chief Engineer.
21	2.58	Defence	The Committee regret to note that the award in this case has gone against the Government and the financial implication of the award is Rs. 1,16,000 as against Rs. 99,400 which was the value of the contract. They suggest that the Ministry should go into the various aspects of the construction and collapse of the hangar and take suitable action against the officers found responsible.
22	2.71	-Do-	The Committee feel that the programme for the manufacture of gliders was drawn up in the most un-imaginative manner. The question of providing hangars and pilots to the gliding clubs should have been taken up simultaneously with the programme of the manufacture of gliders. The Committee regret to note that this was not done. Further, as the hangar facilities were to be provided by the State Governments, timely action should have been intiated in that direction also.
23	2.72	-Do-	The result of this lack of coordination regarding different aspects of this case has been that an expenditure of Rs. 20.72 lakhs incurred on the manufacture of 57 gliders and in addition another expenditure of about Rs. 20 lakhs incurred on the materials etc., have not served the purpose of imparting training to the cadets so far. The Committee feel that before undertaking such projects, different aspects of the same should be examined in detail

			and proper coordination ensured, as lack of the same is bound to result in wasteful expenditure. The Committee hope that the Ministry of Defence would now take suitable measures to utilise the gliders for the purpose for which they are intended and speedy measures would be taken in that direction.
24	2.73	Do.	Another disquieting feature of this case is that against the quotation of Rs. 20,000 to Rs. 23.000 per glider received from private sources at the time of placing orders, the average cost of these gliders purchased from the A.M.D., was Rs. 51,970 in respect of the first 5; Rs. 32,360 in respect of the second batch of 20 and Rs. 36,430 in respect of the third batch of 32. The Committee feel that difference in the price at which the gliders have been supplied by the A.M.D. and at which the quotations were received from the private suppliers is too much. The Committee are left with the impression that the original estimate of the A.M.D. of supplying the gliders at the rate of Rs. 15,000 per glider was unrealistic.
25	2 80	Do.	The Committee regret to note that due to non-carrying out fully of the users' trials in this case, the defects in the equipment could not be detected during the duration of the warranty. This resulted in an expenditure of Rs. 2 to 3 lakhs on rectification of the defects. This expenditure could have been avoided if the users' trails had been carried out fully during the warranty period and under the conditions in which the equipment was required for use.
26	2.81	Do.	The Committee would like the Defence authorities to look into the matter carefully and devise means by which recurrence of such cases would

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			be obviated. They feel that there should be a system under which proper inspection and trial of costly Defence equipment purchased from abroad could be made before they were put on active use.
27	2.97	Defence	The Committee regret to note that extensive Users' tests were not carried out in this case and it was apparently due to this that defects in track links could not be detected earlier.
28	2.98	Do.	The Committee do not like to comment upon the system of purchasing defence equipment under the certificate of military authorities of a foreign country from which the equipment or stores etc., are purchased. They, however, feel that as the present case has revealed certain defects in the system, there are strong reasons for its review. The Committee are of the opinion that taking into account the economics of the case some arrangement should necessarily be made for inspection by the Indian experts of the important items of equipment etc., purchased from a foreign manufacturer, involving large financial commitment and operational value, before the goods are finally accepted. Decision in this regard, the Committee feel, should be taken at an early date.
29	2.99	Do.	The Committee would also like to know in due course, the amount of compensation, if any, obtained from foreign suppliers with whom this case has now been taken up.

30	2.106	Do.	The Committee feel that while inviting tenders, full description of the mosquito nets required, should have been given to enable the tenderers to quote for the correct type of the meterial. They regret to note that this was not done in this case. They hope that with the issue of these instruction such cases would not recur.
31	2.117	Do.	The Committee regret to note that the engines (costing Rs. 4.65 lakhs) received during June, 1963 and September, 1964, remained unutilised for a period of 2—3 years, due to non-receipt of two items. one out of them costing only Rs. 0·41. It is all the more regrettable that the authorities concerned did not view the matter in a proper prosepctive and made no alternative arrangement for the procurement or fabrication of items but kept on waiting till they were received from the supplier.
32	2.126	Do.	The Committee regret to note that 43 vehicles were moved to Panagarh after a decision to repair the vehicles at Delhi had been taken in November, 1961 when order for back-loading of some of the vehicles from Panagarh to Delhi was issued. The Committee feel that the movement of these 43 vehicles was unjustified and could have been avoided. The Committee also feel that before ordering movement of the vehicles in large numbers for the purpose of storage, their repair programmes etc., should be kept in view. Unnecessary movement of vehicles, even for a smaller number as in this case not only results in infructuous expenditure of transport but also causes inconvenience and undesired burden on the railways.
33	2.135	Do.	The Committee are surprised to note that the certificate obtained by the officer concerned from the Market Superintendent and produced before

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			the Court of Enquiry in September, 1965 was not taken on record of the Proceedings of the Court of Enquiry. In view of the fact that this was a material document, the omission is inexplicable especially when the question was of paying higher prices.
34		2.136	Defence	The Committee may be apprised of the action taken on the findings of the S.P.E.
35		2.154	Do.	The Committee feel that while entering into agreement for the supply of fresh vegetables and fruits with this co-operative society in March, 1964, the Ministry of Defence should have satisfied themselves that it was a society of genuine vegetables and fruit growers. The fact that this "society was a growers' society by and large'" which came to the notice of the authorities in 1964 should have cautioned the Defence authorities and immediate action should have been taken to ensure that a contract was entered into with a genuine growers' co-operative society only.
36		2.155	Defence/Finance	The Committee also feel that while entering into contract with the co-operative societies in such cases the provisions of the Financial Rules that no price preference should be given in such case should have been kept in view. They regret to note that this was not done while entering into this agreement.
37		2.156	Do.	The Committee also desire that the Ministry of Defence should devise some ways and means to satisfy themselves that the rates paid by them

			to these co-operative societies for the supply of fresh vegetables and fruits are not excessive and that they compare favourably with the prevailing market rates. Payment of excessive rate to the Co-operative Societies would result in taking away the initiative on the part of the societies in managing their affairs economically and would create a sense of complacency which is not healthy.
38	2.163	Defence	In view of the difference of opinion between the Ministry of Defence and the Financial Adviser, Defence Services, regarding "works of vital importance to the effective functioning of the armed forces", the Committee desire that the Ministry of Defence should examine the question and issue necessary clarificatory orders after consulting the Financial Adviser. They also desire that the Ministry of Defence may conduct a review whether in the light of the present conditions the scope of the exercise of the enhanced delegations of powers under the Emergency Works Procedure could be restricted to operational areas and to certain specified nature of works in other areas.
39	2.164	-Do-	The Committee further suggest that with regard to draft Audit paras, complete and correct information should be given to Audit in time so as to avoid controversies in regard to the factual position at a later stage.
40	2 170	-Do-	From the note, the Committee find that the Cantonment Planning Team which was given the task for drawing up a Master Plan for Delhi Cantonment did not favour the site selected by the EME. The Committee regret that EME failed to visualise the reasons for unsuitability of the site as pointed out by the Cantonment Planning Team later on,

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			namely, the site "would come in the middle of domestic neighbourhood for officers and as such would prove a source of danger particularly to children; that there were no roads nearby where testing could be done and that the site was situated on the skyline of the Delhi Ridge, and being in close proximity to the Delhi University Campus, the workshop area consisting of tin-roof sheds and single storey construction would stand as an ugly anachronism for all time to come."
41	2.171	Defence	They are sorry to note that due to bad planning the Government had to incur an expenditure of Rs. 2.56 lakhs on the site clearance and building work.
42	2.172	-Do-	The Committee would also like to stress in this connection that suitable instructions should be issued to all concerned to keep written records of all important discussions, decisions and meetings in a proper manner so that the progress of the entire case can be properly charted out, if and when required.
43	2.179	-Do-	The Committee are surprised to find that in spite of their recommendation made in para 49 of their Fifteenth Report (1954-55) and instructions issued by the Ministry of Finance to all the Ministries that in the case of contracts for perishable stores it must be ensured that a separate warrant clause is invariably provided, the Ministry of Defence did not include warranty clause in this contract. Nor were any efforts made to seek

			such a warranty clause when the decision was taken. They take a serious view of this lapse which has resulted in a loss of Rs. 56,200 to Government and desire that the responsibility for this omission should be fixed.
44	2.180	-Do-	The Committee are surprised to learn from the Ministry that "this is a case where probably because of Government rules and regulations the pickles went bad although they could have been consumed." They hope that suitable procedural changes, including delegation of powers to local authorities, will be made to ensure that such contingencies do not recur.
45	2.189	-Do-	The Committee are unhappy to note the way in which this case of renewal of the lease had been pending for years together. They are surprised to find that the lease which expired on 31st March, 1951, could not be renewed till recently in 1966, on various grounds and no agreement could be reached between the Government and the party. Failure on the part of the Government to enforce effectively their conditions, not only brought loss to the Exchequer as the lease has now been renewed on the old terms and not on the payment of the market rent but also allowed the party to occupy the premises without signing any lease for 15 years. They feel that had the Ministry of Defence been alert such a situation would not have arisen.
46	2.190	-Do-	The Committee further learn in evidence that the question whether to renew the lease after March, 1967 is yet to be decided. They regret that even with the past experience, the Ministry have so far failed to take a final decision in the matter which has already been delayed. This is

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			again likely to complicate the matters further. It is unfortunate that enough care is also not taken in the Ministry to ensure that the lease deeds are free from lacunae and that their provisions are enforceable. The Committee would like to be informed of the final decision taken in regard to the renewal of the lease.
47	3.12	Defence	The Committee feel that it is most unfortunate that such a mistake (wrong number of the part) occurred which cost the exchequer Rs. 91,630. They are also constrained to note that the Air Adviser, London failed to detect the mistake when the cost quoted by the manufacturer was out of proportion to the cost indicated by the indentors in India, and he exceeded his financial powers without justification.
48	3.13	-Do-	The Committee also desire that greater care should be taken in appointing the Court of Enquiries so that they function without any inhibitions and fear or favour and cases of failure to follow the existing instructions in the matter of constitution of Courts of Enquiry should be viewed seriously.
49	3.21	-Do-	The Committee hope that suitable instructions would be issued to all concerned to take up the construction of the external services (like sewage etc.) simultaneously with the construction of the buildings; so that by the time the buildings are ready for occupation, external services are also provided. The Committee would also like to be apprised of the instructions issued in this regard.

50	3.26	-Do-	The Committee would like to draw attention to para 3.21 of this Report and hope that such cases would not recur.
51	3.33	-Do-	The Committee are unable to comprehend that the construction of the reservoir taken up in November, 1953, could not be noticed by the Air Force authorities till April, 1955 when it reached an advanced stage. They hope that with a little more liaison with the State Governments chances of such constructions coming up near the air force installations in the future would be eliminated.
52	3 44	-Do-	The Committee are sorry that it had taken more than 12 years to implement a decision taken in September, 1954. The delay not only led to an unnecessary drain of the public money but it also caused considerable inconvenience to the owners of the property. They would like the authorities to devise suitable measures to avoid such delays in future.
53	3 53	-Do-	The Committee regret to note that the development of light aircraft was taken up in an Air Force repair depot in February, 1959 when Government owned company was also developing the proto-type of a similar aircraft. This resulted in an avoidable expenditure of 78,357. The Committee feel that the main function of an Air Force repair depot should have been to attend to the repairs, as the manufacture of this light aircraft, was bound to aggravate the existing arrears in the repair work of aircrafts and equipment in the repair depot which is not desirable.
54	3.54	-Do-	The Committee also find that the project was taken up in hand without any sanction and an *ex-post-facto* sanction was accorded only in August,

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			1960. The Committee feel that a project like development of a light aircraft should have been sanctioned in advance. The Committee desire that suitable instructions should be issued regarding issuing of sanction in advance for such projects so that the cases of this type do not recur. The Committee hope that the very healthy rule that no Government representative including a Minister should authorise any expenditure from the public funds without the concurrence of the Ministry of Finance will be invariably followed.
55	4·13	Defence	The Committee regret to note that due attention was not paid to their recommendation made in 1953 (Para 63 of their 9th Report—1st Lok Sabha) and reiterated again in March, 1962 in para 63 of their 43rd Report—Second Lok Sabha. Even though the system of pre-estimation of alterations and additions items of jobs and preparation of estimates of payment works was introduced in 1953, the same system was not introduced for works involving repair and re-fits. It is all the more dis-quieting to note that it was only after the Public Accounts Committee had reiterated their earlier observation *vide* para 63 of their 43rd Report in March, 1962, that a proposal for the Estimating Section in the Naval Dokyard was sanctioned in July, 1963. The Committee feel that a period of 10 years was too long for taking action on their recommendation made in 1953.
55	4·15	-Do-	The Committee feel that if the beginning in this direction had been made in 1953 as a result of their recommendation, all the above advantages which

			have accrued since 1963, could have been achieved much earlier. The Committee feel that with the setting up of this planning and estimating section, there will be better financial control over the various jobs of additions, alterations, repairs and re-fits, carried out in the dock-yard.
56	4.20	do.	Since the Ministry have furnished information in regard to the number of ships handled and the expenditure incurred for the year 1964 *i.e.* for one year only after the control over production costs system was introduced, it is not possible to assess the improvement, if any, effected with the introduction of the system. The Committee would therefore, like the Government to watch the performance and achievement of the new system and see how far it had reached the expected goal. In case of any deficiency being noticed the Committee hope that necessary remedial steps would be initiated soon. They also hope that the full complement of staff required for the working of new system would be in position soon.
57	4.32	do.	The Committee regret to note that provisioning for this chemical was made on the basis of a formula applied by the Army and this resulted in excessive provisioning. Even though the chemical in question has been utilised by delivering the same to Army and Air Force authorities, the Committee feel that the provisioning of such articles should be on the basis of estimates of the service concerned.
58	4.37	do.	Judging from the above cases, the Committee are of the view that there are some serious defects in the store provisioning system. In respect of the stores for which indents were raised in 1952-53 the supplies were completed by 1957. By the time the supplies materialised some of the stores had lost their utility either for the reason that the equipment for which they were needed had become obsolete or their enquirement had dis-

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			appeared. In another case, the need of the equipment indented in 1950 did not exist by the time it was received in 1955 because in the meantime a more modern equipment had been found. The Committee regret to note the abnormal delay which takes place in provisioning of stores in Navy.
59	4.38	Defence	The Committee desire that to eliminate this regrettable feature, a thorough review of the procedure should be taken up at once. They feel that it is not impossible to know about the life of an equipment before the stores required for its repair etc., are indented. The Committee would also like the Government to see that the supplies indented mature early. The existing procedure of indenting the Naval Stores from U.K. through the Admiralty which is a legacy from the past also needs a careful review.
60	4.47	do.	The Committee feel that an expenditure of Rs. 3·49 lakhs on the conversion of a vessel into a water boat for a use of 2-3 years was injudicious. They also feel that it is not proper to show in accounts the expediture on a crew of a vessel which is no more in use. The day the crew was withdrawn from the vessel, expenditure on its pay and allowances etc. should have been shown under the head to which their services had been transferred.
61	5.13	do.	The Committee regret to find that due to various delays at different levels the scheme to set up a plant for the production of explosives with

			the object of attaining self-sufficiency, could not be achieved in time. The following unsatisfactory features have been noticed in this case:— (i) There was a delay in getting the scheme approved, as a result of which the Government could not avail of the first offer of the firm and as a consequence they had to pay higher prices for the same supplies from the same firm. (ii) The DGOF could have taken advantage of the first offer of the firm by asking them to keep it open for some time more which was, however, not done. (iii) Even though the civil work was scheduled to start by April, 1965, the administrative approval was given only in June, 1965, which only indicates that the matter was indifferently handled. (iv) There was no proper co-ordination between different authorities. (v) The rate of supply of machinery had been far from satisfactory.
62	5·14	do.	While conceding that some time is taken in drawing up and finalising the plans, the Committee do not agree with the contention of the Ministry that the bulk of the time taken in this case was necessary as they feel that much of the administrative delay at different levels could have been easily avoided. As a result of all these, the Committee regret to find that the expected saving of Rs. 2·33 lakhs per month in foreign exchange from April, 1965 could not be achieved.

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63	5.15	do.	The Committee hope that the Ministry would ensure that the present target of commissioning the plant by 1st July, 1967 is not impeded owing to further delay or lack of initiative. They would also like to be informed whether any action was taken to obtain liquidated damages from the firm for the delay in the delivery of the machines, and if so, with what result.
64	5.21	do.	The Committee regret to find that due to lack of proper planning the plant for the manufacture of the chemical which was expected to be completed in August, 1960 could be completed only in May, 1964 after the lapse of 4 years. Thus the original expectation of effecting a saving of foreign exchange to the tune of Rs. 13 lakhs per year was frustrated.
65	5.22	do,	The Committee find from evidence that even when the chemical was produced, the needs of the market were not kept fully in view as some civil firms did not like to purchase it because of its colour. They are also disappointed to find that when the chemical was being imported to meet the requirements of the civilian population, the General Manager did not take any initiative for the early production of the chemical in the Government factory.
66	5 23	do.	The Committee hardly need emphasising that the Ministry should try to tone up the administrative machinery and satisfy themselves, that there is no organisational lacuna which might adversely affect the functioning of the plant. They further hope that the Ministry would maintain close

			liaison with the Ministry of Commerce and effect saving of the much needed foreign exchange by restricting the import of this chemical to the extent the demand can be met by this factory.
67	5.31	do.	The Committee hope that the Ministry will endeavour to make the best use of the machines which are still lying idle.
68	5.32	do.	The Committee would like to stress that the Ministry should try to resolve all inaccuracies factual or otherwise when the draft audit para is sent to them and leave no ambiguity in regard to facts when the final Audit para is taken up for consideration by the Committee.
69	5.38	do.	The Committee are glad to note that the Bhillai Steel Plant are successfully meeting some of the defence requirements of special steel. They would like to be informed of the results of the review proposed to be made in 1967; with regard to the capacity of Bhilai Steel Plant to produce the special steel required for defence purposes and the final decision regarding the setting up of the integrated alloy and special steel plant at the ordnance factory.
70	5.44	do.	The Committee cannot resist the feeling that with a little initiative on the part of the DGOF much of the infructuous expenditure involved in this case could have been avoided. They do not find any justification for the plea put forward by the Ministry that there was no need for the DGOF to find out from the indentor as to whether he needed the supply even though the tender price was Rs. 162 as against Rs. 30 which was the estimated cost

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			and merely because the ordnance factory had not cancelled the order. Moreover, in this case while the indentor wanted the supplies to be made by July, 1963, the contract was concluded in April, 1964 with a private firm and even at that stage the DGOF did not ascertain the position from the indentor. The Committee are also not happy to find that hee estimated cost of the tow was calculated without any proper assessment of the production cost or the prevailing price of the item.
71	5·45	do.	The Committee are however, glad to note that the Ministry have issued instructions in December, 1965 whereby the DGOF should make a reference to the indentor where the price variation was substantial.
72	5·50	do.	The Committee are disappointed to find that the automatic machine purchased in 1962 for the manufacture of a component item for boots ankle went out of commission in 1963 after functioning only for 9 months and during all these years the Government had to continue the purchase of this item from the trade incurring a lot of expenditure much of which could have been avoided. They are not fully satisfied that the initial inspection done at the time of purchasing the machine was thorough as: (i) the machine failed since the beginning to produce its rated output; and (ii) it went out of order so soon. They would therefore, urge the Ministry to examine further whether the inspecting officer had put the machine to all the prescribed and proper tests before accepting it.

73	5.51	do.	It is also beyond the comprehension of the Committee why the Ministry could not ask for a replacement of the machine when it was below its expected performance. They do not also appreciate the casual way in which the question of repair of the machine is being attended to. They hope that the Ministry would take greater initiative and settle the matter before long.
74	5.60	do.	The Committee find from the note and the evidence tendered before them that the Ministry were guided merely by the following considerations to reject the offer of the firm 'A' though their tender was the lowest:-- (i) it was a new firm coming in the line and not borne on the books of the Director General of Technical Development; (ii) it belonged to Small Scale Industries group and so would not be able to obtain easily import quota for raw materials from the Iron and Steel Controller; and (iii) it was the assessment of the DGOF that the firm had not the ability to supply the material in time and also to the required technical specifications.
75	5.61	do.	The Committee feel that merely on these assumptions the DGOF should not have placed the order on firm 'B' whose rates were 25 per cent higher. As the rates quoted by the firm 'A' were the lowest, they should have been given the order to enable them to execute it in time and thereby help the growth of Small Scale Industries also.

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76	5.62	do.	The Committee are also disappointed to learn that against the first order of 500 sets placed with firm 'B' to be delivered by 30th November, 1963, only 230 sets were delivered upto November, 1963 and against the second order of 500 sets to be delivered by 31st January, 1964, extension of the delivery period was granted upto the 31st October, 1964 and that the full supply of 1000 sets was completed by October, 1964 only. They are of the view that if such concessions were granted to the firm 'A' perhaps they could have supplied the sets by October, 1964 which would have saved much of the extra expenditure incurred by the Government on these sets.

GMGIPND—LSI—2534(Aii)LS—7-3-67—1184.